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Truthfulness Termed Top Priority in Press Reform

40050203b Shanghai BAO KAN WENZHAI in Chinese
26 Jan 88 p 1

[Article by Zhang Liangsheng [1728 5328 5116]:
"Untruthfulness In Journalism Alienates The Public"]

[Text] According to a report in XINWEN CHUBAN-BAO Fan Jingyi [5400 2417 1355], editor-in-chief of JINGJI RIBAO, told a press reform symposium organized by the News and Publications Administration and the All-China Journalists' Association that press reform must tackle a wide range of issues. At a minimum, an effort must be made to resolve these four issues: 1) more truthfulness; 2) more openness; 3) more comprehensiveness; and 4) more equality. The first issue, truthfulness, means that the press must be truthful and factual. Today if we say that the masses are unhappy about the press, their biggest complaint must be that there is a big difference between what the press says and how they actually feel. Much propaganda cannot be trusted. For instance, it is too obvious to the masses that commodity prices are rising. The press, however, keeps saying that prices are stable or have gone up only marginally. When it is patently clear that a certain product is in short supply, the press insists that supply is ample. Over time, the masses will conclude that the press is trying to paint a false picture of peace and prosperity and fooling the people. They may even develop a sense of rebellion. However fast, brief, and up-to-the-minute the reporting, however lively the layout, and however many the columns may be, as long as untruthfulness remains a problem, the press will still be unpopular among the people. That is why I believe the top priority in press reform is to be truthful and factual.

If we are to be truthful and factual, we cannot avoid contradictions. There are probably few journalists who deliberately set out to lie and fabricate stories. Yet that is what they often do unconsciously mainly because there is a lingering fear among them of touching upon contradictions and making mistakes. For many years, there has been a saying in the press circle, "report the positive more often." There is nothing intrinsically wrong with this saying, but under some circumstances, it has become a synonym for sidestepping contradictions. When one sees that an issue has gotten to a stage where a warning signal should be sent and still talks about the positive side, one is in effect covering up the problem.

Certainly we must take a little risk if we are to be truthful and factual, but since that is a journalist's vocation, we should not shrink from it. Moreover, the 13th Party Congress has set an example for us by calling on the whole party to adhere to a seek-truth-from-facts style, so the risk will not be all that great.

Influence of Heroic Examples Questioned

40050203a Beijing GUANGMING RIBAO in Chinese
24 Feb 88 p 2

[Article by Gao Wen [7559 5113]: "The Limitations Of Fine Examples"]

[Text] As an ordinary CPC member who started out in education before switching to journalism, this writer once did not have the slightest doubt about the maxim "A fine example has boundless power."

Those were the days when batch after batch of heroic exemplary figures, such as Li Shunda, a peasant; Wang Jinxi, a worker; Lei Feng, a soldier in the PLA; Jiao Yulu, a cadre; and Hou Juan, a young intellectual, was held up as examples for emulation by people in their respective fields and even by the entire population. They proved to be most inspiring. For a time fine peasants, workers, warriors, cadres, and young people of "such-and-such type" appeared in droves in the news media. Given the social background of the time, setting somebody up as an example was certainly an effective *modus operandi*. Facts proved that "a fine example is indeed powerful."

The upshot was that the use of examples was popularized for application to all areas in propaganda and education and has been kept alive even today. For instance, no sooner had the CPC Central Committee issued a document calling for double increases and double economies than the 30-year-old fine example of reusing old envelopes and saving a certain sum of money reappeared. Some cadres abuse public office for private interests and take bribes. So news stories appear of a certain leader who refuses to abuse public office or accept bribes in the course of work. Since education is given low priority in certain localities and primary and secondary school teachers aspire to be transferred, somebody hurriedly tracks down an elderly teacher who is committed to educating a new batch of gifted people in the remote mountains, his devotion unchanged for decades. Undeniably, such personalities and facts do exist and they deserve to be called exemplary. Nevertheless, no matter how political cadres and people in the media, education, and propaganda try to persuade the public to emulate the examples, the effect has been invariably minimal and unhealthy trends continue despite repeated crackdowns. Is this not a declaration that "a fine example has limited power?"

This repeatedly-staged farce has gradually made people realize that the application of example-setting, the traditional and highly Chinese way of running the nation and conducting education and propaganda, is also constrained by time and space factors. Faced with a modern society that is reforming, opening to the outside world, and diversifying, and faced with irreversible changes in the cognition methods and value systems of the Chinese

people of the 1980's (be they in the intelligentsia, agriculture, industry, or commerce, be they public servants or masters,) we will necessarily find the traditional method of example-setting inadequate in certain ways.

The experience and lessons of Chinese and foreign history have repeatedly proved this truth, that what is most powerful in managing an enterprise, a political party, a state is neither the lofty moral quality of the manager nor new fine examples. Instead, what is most

powerful is primarily perfect institutions, strict and impartial laws, and a sound legal system. Institutions are "more fundamental, comprehensive, stable, and long-term" (Deng Xiaoping's words), while examples are merely a demonstration. In the final analysis, no example, however inspiring, lofty, and perfect, can replace institutions functionally.

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PROVINCIAL

Shanghai Government Work Report

OW0206072688 Shanghai JIEFANG RIBAO in Chinese
2 May 88 pp 1, 3-4

[Government Work Report delivered by Mayor Jiang Zemin at the First Session of the Ninth Shanghai Municipal People's Congress on 20 April 1988]

[Text] Fellow deputies:

On behalf of the Shanghai Municipal People's Government, I am now submitting a report on the work of the Government for examination and approval by the session.

I. The Work in 1987 and a Review of the Past 5 Years

During the past year, led by the party Central Committee, the State Council, and the Shanghai Municipal CPC Committee and supervised and supported by the Standing Committee of the Eighth Municipal People's Congress, we have taken economic construction as our central task, upheld the four cardinal principles and the reform and open policies, and developed a campaign in depth to increase production and practice economy and to increase revenue and decrease expenditure. Thanks to the joint efforts of the people across the municipality, new headway has been made in our economic and social development.

— The municipality's economy has developed steadily. In 1987, the total value of production in the municipality reached 53 billion yuan, up 8 percent from the preceding year, and the total income was 46 billion yuan, up 7 percent. We maintained a balanced and appropriate industrial growth by overcoming difficulties in the supply of raw and semifinished materials, making increased efforts to adjust our product mix, and accelerating our technological advance. The gross value of industrial output for the year (calculated in terms of 1980 constant prices) reached 97.97 billion yuan, showing a 6.8 percent growth over the preceding year. In agriculture, we overcame the negative effects caused by drought, heavy rainfall, cold currents, and high temperature, and reaped a reasonable harvest of grain and oil-bearing crops. Construction of production bases for nonstaple foods proceeded at a quicker pace, resulting in a higher degree of self-sufficiency in these items. The annual agricultural output value (calculated in terms of 1980 constant prices) totaled 2.48 billion yuan, or 2.3 percent more than the preceding year. Communications, transportation, postal, and telecommunications work all showed steady development. The freight volume for the year totaled 270 million metric tons, up 2.1 percent compared with the preceding year, and receipts from postal and telecommunications services amounted to 200 million yuan, up 17.5 percent. In foreign trade, exports increased by a relatively large margin, while the makeup of export

goods continued to improve. Exports through the seaport for the year totaled \$4.16 billion, outstripping the preceding year by 16.1 percent.

— The amount of investment within the plan was controlled, while the construction of key urban infrastructural projects was guaranteed. In 1987, our municipality made an earnest effort to implement the guidelines contained in the State Council's "three guarantees and three restrictions" instruction (guarantee for the construction of projects included in the plan, productive projects, and essential projects, and restrictions on projects outside the plan, nonproductive, and nonessential), proceed from reality, adjust investment projects, and improve the investment makeup. As a result, the number of capital construction projects started in the year was 37 percent less than the preceding year. Investment in local capital construction projects included in the plan totaled 2.65 billion yuan, which was below the ceiling set by the state. On the other hand, construction of a number of key projects was guaranteed. Because of the coordinated efforts of all sectors concerned, all the 15 tasks closely related to the people's everyday life, as projected at the beginning of the year, were largely fulfilled.

— There was further development in science, education, culture, public health, sports, and other undertakings. In 1987, the city had 1,955 major scientific and technological research results, of which 427 were up to, or exceeded, advanced international standards and 694 were the first in China. A number of these achievements have already been applied by large and medium-sized and rural enterprises. Reform of the management system of institutes of higher learning helped intensify reform of the educational structure and upgrade the level of scientific research; facilities for primary education were gradually improved; adult education and on-the-job training were improved; vocational and technical education in the city proper was further consolidated; and schools run by the democratic parties and all sectors of society were further developed. New progress was made by medical units in making their services more easily available to the people, their ability to cope with emergencies was enhanced, and the facilities of some hospitals were improved. Noticeable progress was also made by literary, arts, news media, publishing, radio, movie, and television departments in publicizing reform and opening up, spreading spiritual civilization, enriching the people's life, promoting socialist culture and arts, and expediting cultural exchanges with foreign countries. The Shanghai delegation finished second at the Sixth National Games; mass sports activities developed extensively.

— The market was brisk, and the people's livelihood was further improved. In 1987, because of a strain in the supply of some manufactured goods and daily necessities, production departments actively increased the production of readily marketable goods and commercial departments worked hard to increase market supply. The total procurement of farm, sideline, and industrial

goods for domestic consumption came to 33.44 billion yuan, up 11 percent over the previous year. The total volume of retail sales was 23.88 billion yuan, up 14.6 percent over the previous year, or about 6 percent in terms of real growth if adjusted for price rises. The annual per capita wage (including bonuses and allowances) of the city's staff members and workers rose by 12.1 percent, or 3.7 percent in terms of real growth if price increases are factored in. Per capita income of suburban peasants rose by 13.1 percent over the previous year, or 4.5 percent in real terms. The year-end balance of the savings deposits of the urban residents was 12.03 billion yuan, up 32.3 percent over the corresponding 1986 figure.

— Socialist democracy and the legal system were further strengthened. During the past year, the city government increased its contact with deputies to the municipal congress and members of the municipal CPPCC Committee, instituted a system of a dialogue between the city leadership and the people's deputies, and improved the handling of their motions. Continued efforts were made to publicize basic knowledge of the law among the citizens and the concept of legality was strengthened in society. Public security work became more onerous and complicated with each passing day. However, thanks to the hard work of public security cadres and policemen, and the support of the people, public order in the city was basically stable.

The success achieved in various projects in Shanghai during 1987 was not made without effort. During the year, economic restructuring was further intensified, the planned market economy grew rapidly, contradictions brought about by transformation from the old structure to a new were more acute, the forms and views of market economy were severely assaulted, and the difficulties encountered by Shanghai during economic development had been more serious than previously anticipated. As a result of changes in the channels and forms of materials supply, compounded by the acute shortage of raw materials and rise in prices, high input did not always result in high output. This created serious problems for industrial production, and caused economic returns in enterprises to drop sharply. It had a direct impact on the economic development and fiscal income of Shanghai. After a year of arduous effort, we have been able to overcome the numerous difficulties lying across our path to progress, and continue to maintain steady economic growth, and make a big stride forward during the transformation into the new structure.

Our tasks during 1987 were a continuation and expansion of those undertaken during the previous 4 years. Since we are now at the point of handing over to a new government, there is a need to review the path we have taken during the past 5 years.

In 1983, when marked successes had been achieved in rural reforms throughout the country and urban economic restructuring was about to take off on all fronts,

the present municipal government was entrusted with the heavy burden of further transforming and vitalizing Shanghai. At that time, the economy was undergoing a process of adjustment, and many contradictions, arising from economic and social development in Shanghai, had become increasingly conspicuous, putting serious pressure on the new challenge and change. During the past 5 years, we have upheld the four cardinal principles, consolidating and strengthening stability and unity on the political front. Placing economic development at the focal point, we accomplished the various targets set by the Sixth 5-Year Plan, and have begun to implement the Seventh 5-Year Plan. We upheld reforms and opening to the outside world, and attempted difficult experiments to push forward several projects during the process of transforming from the old economic structure to a new. During the past 5 years, Shanghai's economy and society have undergone profound changes.

Shanghai's Economy Achieved Steady Growth Through the Formulation and Implementation of a Strategy of Economic Development

With the concern and support of the party Central Committee and the State Council, and after scientific demonstrations, Shanghai mapped out a strategy for economic development for implementation which has advanced the sustained growth of its economy. During the past 5 years, the gross output of Shanghai increased by 57.2 percent, achieving an average annual growth of 9.5 percent; gross industrial output increased by 50.4 percent, achieving an average annual growth of 8.5 percent; and gross agricultural output increased by 4.3 percent. Production of nonstaple foodstuffs at suburban counties also recorded higher growth. In the past 5 years, the production of vegetable increased by 1.3 percent, and the amount of livestock arriving at the markets increased 1.1 times. Milk production increased by 83 percent. Production of freshwater fish increased threefold. The accumulated fiscal income of the municipal budget during the 5-year period was 83.8 billion yuan, amounting to a quarter of Shanghai's total accumulated fiscal income since the founding of the state 38 years ago.

In accordance with the requirements of Shanghai's strategy for economic development, the relationships of major economic ratios have been gradually adjusted. Development in various sectors have been brought in line. The gross outputs in primary, secondary, and tertiary industries have been adjusted from the 1982 ratios of 3.9:74:22.1 to that of 3.7:67.3:29 in 1987. Tertiary industries have grown at an annual rate of 15.6 percent, surpassing the growth rate of gross output during the same period. The mix of industrial products has further improved, and the role of market forces has continually strengthened. The composition of the rural economy has also been adjusted, and ties between cities and countryside have been further expanded. The industrial output of the suburbs as a proportion of gross municipal output has risen from 12.7 percent in 1982 to 19.5 percent in

1987; the proportion of the municipal budget which made of fiscal income from suburban counties has risen from 6.7 percent in 1982 to 13.4 percent in 1987.

The circulation structure in commerce has been changing into one which is multichanneled and opened-up. Thirteen consumer goods trading centers, 49 wholesale markets, 34 small commodity markets, 395 farm produce trading markets, 13 capital goods trading centers, a network of over 2,500 materials retail outlets, and of over 70,000 retail stores have emerged.

Commercial activities have become increasingly diverse and their control has been liberalized. The city now has 13 consumer goods trade centers, 49 wholesale markets, 34 markets for small commodities, 395 agricultural markets, 13 markets of production means, over 2,500 marketing agencies, and over 70,000 retailers.

With local national banks the mainstay in banking business, a system under which all types of banking organs coexist and give each other support has gradually taken shape. Remarkable progress has been made in developing the money market, credit services, the stock market, and insurance business, as well as in regulating foreign exchange and attracting foreign investment.

As a communication center playing an increasingly important role, Shanghai has become one of the world's major ports, able to handle over 100 million metric tons of cargo a year, setting records in both sea and land traffic. Consultative and other services are mushrooming, and a large number of agencies providing economic and technical services has appeared. Shanghai has achieved preliminary success in restoring and developing its function in various aspects and is gaining strength in becoming a hub with magnetic appeal, radiating influence.

As the economic restructuring continued, Shanghai started to change course toward developing its commodity production.

The past 5 years have been a period in which Shanghai has undergone an overall economic restructuring. In accordance with the requirements for developing commodity production, it has gradually reduced the number of mandatory plans and broadened the scope for guidance plans and market regulation. According to the guideline of "integrating regulation and relaxation, and proceed steadily," it has decontrolled the price of some small commodities, and readjusted the price of some industrial goods, and market mechanisms have started to function within the scope of certain economic activities.

What used to be either national or collective ownership has now been replaced by a pluralistic system, and the development of collectively-owned and independently-operated economies has resumed and quickened. A new pattern, in which state and public-owned economies are

the mainstay, and all types of economic ingredients coexist and develop harmoniously is beginning to take shape. Of Shanghai's gross industrial output during the 1982-87 period, the output of collectively-owned industrial businesses rose from 13.3 to 20.1 percent; and the independently-operated economies' total retail sales grew from 2 to 8.8 percent during that period.

The gradual proliferation of contractual operations in enterprises is a significant step toward separating ownership and operating rights. By the end of 1987, over 1,600 state enterprises had instituted the system under which directors or managers were responsible for the operation of the enterprises. Thanks to the greater autonomy they enjoy, the enterprises have been able to operate with greater vitality.

All forms of lateral economic cooperation have developed. Industrial, research, commercial, and foreign trade departments in Shanghai have, at one time or another, established over 6,000 of interregional and interdepartmental economic associations of all descriptions, thus strengthening the lateral ties with fraternal regions. The Government has changed its way of managing the economy, paying attention to economic and legal measures, and replacing direct with indirect control. Since 1984, the municipal government has instituted a joint conference of economic departments, and set up a municipal economic leading group on that basis to strengthen overall control and balance. Simplifying administration and releasing authority, authorities in charge of enterprises have closed down the administrative companies and begun to explore ways for guild management, giving rise to the establishment of a number of group-like economic associations.

These measures for restructuring the urban economic system have substantially changed the mechanisms governing economic activities and management, thus facilitating the development of a planned commodity economy.

Continued Efforts Have Been Made To Open Wider to the Outside World, Thus Creating Conditions for the Development of an Export-Oriented Economy

The past 5 years have seen continuous expansion of our external economic and technical cooperation. As a result of our efforts to open up an international market, develop ties between Shanghai Port and the hinterland, and integrate industry with trade, our exports during these 5 years totaled \$18.3 billion. Of the gross output value, the proportion accounted for by exports increased from 20.6 percent in 1982 to 29.2 percent in 1987. The makeup of export goods continued to change with the proportion accounted for by industrial products increasing each year. Currently, industrial products account for over 80 percent of our export goods. In the meantime, certain progress has been made in the three forms of import processing and compensatory trade. By the end of 1987, the accumulated total of fees received from

doing processing and assembly work with raw materials and components supplied from abroad, and from doing manufacturing work according to foreign-supplied patterns had reached \$140 million, there had been 305 compensatory trade contracts, and the capital introduced from abroad had totaled \$130 million. In 1987, foreign exchange made available from various sources for use in the program of developing imports to foster exports was nearly double the amount in the preceding year, and \$1.6 billion worth of processed products were exported, accounting for about 40 percent of the municipality's total export volume. Since 1984, Shanghai has signed 154 contracts for building projects abroad and for export of labor, and the contracts executed involved a total amount of \$160 million. During the 5 years, Shanghai received more than 3 million tourists from abroad, and the foreign exchange earned through tourism was equivalent to 2.46 billion yuan.

Since 1984, when Shanghai became a coastal city open to the outside world, there have been substantial changes in the amounts and forms of foreign capital it has introduced from abroad, and in its investment direction and environment. A series of policies and measures have been formulated to encourage foreign investment, and service organizations for foreign investment have been established. At the same time, the work of formulating economic laws and regulations involving foreign businesses has been stepped up. In 1986, the State Council approved the use of foreign capital on a larger scale in Shanghai, thus providing more opportunities for Shanghai to use foreign funds to improve its infrastructure and speed up its technological transformation. The Minhang and Hongqiao economic and technological development zones have initially taken shape. During the 5 years, our municipality signed 496 contracts for various kinds of foreign-funded projects, totaling \$2.19 billion. As of the end of 1987, there were 291 projects in our municipality with direct foreign investment, and the contracts signed for these projects involved \$1.84 billion in total.

During the 5 years, especially after 1983, when the State Council approved the expansion of Shanghai's decision-making power in importing technologies from abroad, Shanghai had more than 1,000 projects using foreign technology, which were included in the state plan. The total amount of contracts signed in this connection was \$1.1 billion. Now, 859 projects have been completed and put into operation. These projects have begun to produce fairly good economic results in changing Shanghai's industrial technology, increasing production, improving the quality and grade of products, and expanding exports.

During the 5 years, Shanghai established friendly-city ties with 9 foreign cities. Up to the end of 1987, the number of Shanghai's friendly cities had reached 17, involving 15 different countries. This has helped expanding its external exchanges in economic, science, technology, cultural, and many other fields.

The practical work of opening to the outside world during these 5 years have accumulated experience, created conditions, and laid groundwork for expediting the development of the export-oriented economy.

We Have Improved Urban Planning, Construction, and Management, and Persisted in Doing Practical Things for the People

In last 5 years, we have improved urban planning, construction, and management in accordance with the requirements for changing the city government's functions to facilitate reform of the economic structure. The "Overall Urban Plan of Shanghai Municipality," approved by the State Council, has begun to play an overall guiding role in all urban construction projects. We are stepping up the formulation of specific plans for urban administration, communications, and water pollution control. Research into the feasibility of a large number of urban engineering projects and the formulation and examination of the plans for transforming old districts have been completed.

In 5 years, we have adhered to a principle of comprehensive transformation with both stopgap and radical measures, in consideration of both the present and future. We have used a considerable amount of local financial resources to improve urban transportation, developing post and telecommunications services, increasing energy supply, controlling environmental pollution, and accelerating housing construction. We have invested 16.18 billion yuan in these aspects, including 9.23 billion yuan in urban infrastructure and 6.95 billion yuan in housing construction.

After 5 years of effort, we have completed a number of key construction projects, including the new railway passenger terminal, the first phase of the water-supply project on the upper reaches of the Huangpujiang, and the first phase of the Pudong Gas Plant project. We have built new houses, with a total floor space of 23.01 million square meters, 5 million square meters more than the total floor space of all the houses built in the 29 years before 1978. The housing shortage has been somewhat alleviated compared with 5 years ago. We have rebuilt or built 148.7 kilometers of urban roads, and completed 7 overpasses for vehicles and 24 overpasses for pedestrians. Water and gas supplies and passengers using public transportation have sharply increased. We have done a great deal of work in environmental protection and tree-planting, and the urban area has, in the main, become "smoke-free." For several consecutive years, we have done many practical things in the interests of the people's livelihood in accordance with a principle of considering all concerned and doing what we can. We have made efforts to help the people overcome difficulties and improve their living environment.

We have improved urban administration; formulated and revised a number of rules and regulations concerning urban appearance, transportation, environment,

water source protection, maintenance of urban facilities, construction, real estate, and land; and preliminarily strengthened the administrative force.

Although we have put comparatively more financial and material resources into urban construction in the last 5 years, the urban infrastructure remains seriously backward, and urban transportation is still severely strained. We should continue our unremitting efforts. Scientific, Technological, Educational, Cultural, and Public Health Undertakings Continued Development, and Socialist Democracy and the Legal System Were Gradually Strengthened [subhead]

The acceleration of reform and opening to the outside world have created favorable conditions and a social environment for the development of scientific, technological, educational, cultural, and public health undertakings.

In China, Shanghai continues to maintain a supremacy in science and technology. Shanghai has comparatively more strength in some important fields of modern science and technology, such as biological technology, microelectronics technology, nonorganic and nonmetallic materials, shipbuilding research, and design of new types of ships in connection with oceanographic engineering. We have made more and better achievements in science and technology, and some have attracted worldwide attention. The utility rate of scientific and technological achievements has increased to 78.8 percent in the last 5 years, while it was about 30 percent 5 years ago. We have developed more than 2,000 associations between scientific research and industrial organizations. Development has been made in nongovernmental scientific and technological organizations. Our technological market has begun to take shape, and the trade volume of technological commodities accounts for approximately 10 percent of the nation's total. Scientific research organizations, colleges, factories, and enterprises have cooperated and have achieved success in using imported technology and in increasing the proportion of technology developed in our own country.

Constant development has been made in education in the course of reform. In 1987, institutions of higher learning had a total of some 120,000 students, up 46 percent from 1982; and the enrollment was the largest since the founding of the People's Republic. To meet the needs of the development of science, technology, and the economy, we have readjusted the structure of higher education and established frontier courses combining science, engineering, and the liberal arts. Basic education has been further improved. Both urban areas and suburban counties and towns have begun to popularize the system of 9-year compulsory education. We have rebuilt unsafe buildings with a total floor space of 260,000 square meters in some middle and primary schools, and thus improved conditions in those schools. The structure of secondary education is becoming rational, and vocational and technical education has made rapid progress.

We have also preliminarily established adult and social education systems, offering education to cadres, workers, peasants, and others. In the last 5 years, adults' colleges have trained 485,000 specialized personnel.

We have also made further progress in cultural undertakings, such as literature, art, press, publication, radio, cinema, and television, and in public health and sports. We have made remarkable achievements in family planning, and kept population growth below the planned figure. Our social scientists have made active explorations for reform, opening to the outside world and construction and have contributed to promoting Shanghai's development.

In the last 5 years, socialist democracy and the legal system have gradually been strengthened. The governments at all levels are now more conscientiously accepting the supervision by the people's congresses, and keeping close contacts with the CPPCC committees, democratic parties, and other quarters in society. They have gradually established a system for handling proposals made by the municipal people congress deputies and the municipal CPPCC committee members. In the course of formulating economic development strategy and urban development plans, deciding on major construction projects, and practical work, governments at all levels have paid attention to seeking advice from experts and the policymaking process has become more democratic and scientific. In the last 5 years, the municipal government has submitted 20 local laws and 191 municipal government rules and regulations to the municipal people's congress Standing Committee for the latter's examination and approval. These laws, rules, and regulations have played a positive role in improving urban construction and administration, ensuring reforms and opening to the outside world, and promoting economic development. We have stepped up the building of organizations of political power at the grassroots level. In urban areas, neighborhood offices and residents' committees have done a good job in urban management and serving the people. Since 1985, we have, for 3 years in a row, carried out legal education among the cadres and people. Middle and primary schools have generally started to teach lessons on the legal system, and 80 percent of colleges have been offering courses on basic laws. Public order has improved, thanks to efforts made by the public security, procuratorial and judicial departments to impose severe punishment, according to law, of criminals endangering state property or the people's lives or property, and on economic criminals sabotaging reforms or construction, investigate, and ban illegal activities, and rely on the public to basically improve public order.

Progress in reform and opening over the past 5 years notwithstanding, Shanghai has, under the new situation, experienced fresh difficulties and problems in its economic and social life. The prominent ones are: "sliding" in local revenue for several years running and substantial rise in commodity prices.

The 1985 budgetary local revenue of Shanghai City was 18.16 billion yuan; it dropped to 17.61 billion yuan, 3 percent, in 1986; in 1987, it was 16.51 billion yuan, dropping again by 6.2 percent. Forecast and analysis show that this downward trend has yet to bottom out. This is mainly due to the reform-induced changes to the distribution pattern of national income and increased prices for industrial raw and semi-finished materials and energy, which have greatly increased production costs and reduced enterprises earnings. Profits and revenue of industrial enterprises are the major sources of Shanghai's local revenues, and a drop in enterprise earnings inevitably means a "slide" in revenue. Efforts by various quarters to enhance the enterprises' capacity to absorb the impact of higher raw and semi-finished material prices have contributed to slowing down the "slide." It must be pointed out that another major reason for the "slide" is the slow pace of development of state-owned local industry, which holds a dominant position, and lax management and poor economic returns in some enterprises. To prevent further "sliding" in revenue, requires, in addition to observing the law of value and straightening out the price structure, the efforts of all cadres and workers in the city to implement and perfect the contract responsibility system in enterprises, increase production, practice strict economy, tap potential, improve the trade structure and product mix, enhance finance and taxation administration, and comprehensively improve economic returns.

Rapid fluctuations in prices affected, to some degree, the people's livelihood; living standards of some people dropped somewhat. This is another major problem emerging in recent years in our economic and social life. In the past 5 years, Shanghai, as elsewhere in the country, reformed the irrational price structure, and brought radical changes to the situation in which the procurement prices of farm products and the prices of industrial raw and semi-finished materials and energy were too low. This has played a positive role in increasing the production of farm products and manufactured goods in short supply and in improving market supply. With the deepening of economic structural reform and expansion of opening, the price structure must be further readjusted, and prices will continue to rise yearly; this readjustment is an objective requirement in developing the economy, especially agriculture and basic industries, and is conducive to mobilizing the enthusiasm of producers and managers, as well as improving market supply.

The problem today is that the rather rapid rise in the overall level of prices in 3 consecutive years from 1985 to 1987 has affected many people. Workers' families, whose actual living standards dropped, increased from 15 percent in 1986 to 31.7 percent in 1987. Most are primary and secondary school teachers, cadres in government organs, retired personnel without other sources of income, and the staff members and workers of some enterprises and institutions with poor economic returns. This situation can be attributed to the following three

reasons: 1) Viewed from the overall situation, capital construction has been overextended over the past few years, there has been too much currency in circulation, consumption funds has risen too rapidly, and total social demand has exceeded total supply. 2) In administration, the price administration system is imperfect, no appropriate control measures have been taken after prices of some products were decontrolled, price administration has been lax, and some enterprises and individual traders and pedlars have raised prices arbitrarily. 3) Measures for building nonstaple foodstuffs in suburban counties have not been effective and our capacity to protect agriculture from natural calamities has been inadequate. Too rapid a rise in the price of nonstaple foodstuffs, especially fresh vegetables, in Shanghai during 1987 had an adverse effect on the people's livelihood. As a result of abnormally low temperatures in the spring and wet weather in the fall, supply of vegetables dropped, and prices on the open market rose sharply. In view of the situation, the suburban counties mobilized the peasants to rush-plant, and restored normal vegetable supplies in a comparatively short time. At the same time, the city also adopted measures, including granting special subsidies, reducing taxes, allowing those concerned to retain more profits, and enhancing price supervision, and made arrangements for developing nonstaple foodstuffs bases in suburban areas.

The price problem concerns the vital interests of the people, and must be dealt with carefully. In the next few years, we should continue to rationalize the pricing system according to the law of value and unified arrangements by the State Council in order to promote the development of production. Fundamentally speaking, it is possible to resolve the shortage of market supplies and slow down price rises only through the effort to develop production, especially to increase the production of commodities in short supply. At the same time, efforts must be made to keep prices under strict control and to effectively solve the problem of excessive price rises. 1) The increase in society's total demand should be effectively controlled, and institutions' purchasing power should be particularly held back. 2) Price control should be effectively strengthened, rules and regulations should be laid down or improved, supervisory and administrative organizations and their staffs should be strengthened, circulation channels should be kept clear, links in circulation should be reduced, the cost of circulation should be economical, and arbitrary price rises should be checked according to law. 3) Adequate subsidies should be given to workers and staff members in terms of fixed quantities when the retail prices of major nonstaple foodstuffs go up, in order to make it possible for people to live a stable life and to improve their living standards with economic development. As for a small number of people who live in straitened circumstances, we should show concern by helping them. 4) Governments at various levels should circulate timely notices among the people on major changes in prices and heed

opinions from various quarters. It is necessary to rely on the broad masses to effectively carry out the price reform and exercise control and supervision in this regard.

Fellow deputies:

In the past few years, the pace of economic and social development in Shanghai has not been commensurate with its position in the country, falling short of residents' expectations in the municipality. The shortcomings in our work mainly manifest themselves in these aspects: The mind is not sufficiently emancipated, there is no strong sense of reform, the trammels of ideas of the old product economy has yet to be smashed, and policy is not yet put to best use to boldly develop a planned commodity economy and to adopt flexible measures to invigorate enterprises. We did not anticipate all the difficulties and contradictions arising in the process of substituting new structures for old in Shanghai, and the measures we have taken to cope with such difficulties and contradictions are not effective enough. As a result, we have landed ourselves in a passive position. In economic development and urban administration, power is overconcentrated, fettering the initiative of districts, counties, and enterprises; at the same time, there is a situation in which people go their way without following orders. In work methods, we busy ourselves with routine work and fail to do enough research on how to improve management. We have failed to make policy decisions to break through major problems and difficulties which have puzzled Shanghai in economic and social development for a long time. In office workstyle, the following phenomena are serious: people do not have a strong sense of severing those at the basic level; there are bureaucratic practices characterized by paying no attention to investigation and study, organizations are overlapped, work efficiency is low, and people dispute over trifles and are irresponsible.

These problems are especially serious in safety work area. Traffic accidents, fire, industrial accidents, food hygiene problems, and other accidents have frequently taken place in the past few years. The serious casualties caused by the accident at the Lujiazui Ferry late last year and the ravage of A-type hepatitis early this year have caused a wide death toll, seriously damaged the people's health, and left grave consequences. We take this with a heavy heart. The municipal government is responsible for its leadership problem in this respect. At the 36th Meeting of the Standing Committee of the 8th Shanghai Municipal People's Congress, Vice Mayor Huang Ju was delegated to deliver a special speech and make self-criticism on behalf of the municipal government. The party Central Committee, the State Council, all the people of Shanghai, and deputies to the municipal people's congress were very much concerned about the Lujiazui Ferry incident and the ravages of the A-type hepatitis. The Standing Committee of the municipal people's congress had heard several reports on the results of investigations and the handling of these incidents, and

helped us find out the causes and draw lessons from them. The Standing Committee's work, which contained reasonable analysis as well as stern criticism, was a very good lesson for us.

Improving the municipality's administrative work is an important task of the municipal government. We should seriously draw lessons from previous incidents, and bear in mind the principle of "safety first and taking precautionary measures." We should strictly enforce the law, enhance discipline, and strengthen administrative work with a highly responsible attitude toward the people. For those incidents whose cause is known, we should take active corrective measures according to financial and material resources available and the importance and urgency of the matter. Reconstruction of houses in danger throughout the city is planned to be completed within 3 years. We plan to improve nine roads leading to ferry stations, six of which should be completed within this year; and revamp four ferry stations, of which the ones in Yanan East Road and Dong Men Road should be completed this year. We shall establish a joint municipal food safety meeting system to strengthen the management and coordination of food hygiene work. We should inspect food production units and dealers, and urge them to improve their management. We should also take further steps to set up and amend regulations on production safety responsibility system, food hygiene management, and other safety management work of the city. Some of these regulations will be established as laws after they are approved by the Standing Committee of the municipal people's congress. In addition, we should establish production and traffic safety responsibility systems at various levels. In addition to carrying out all these corrective measures, we should conduct, city-wide, an extensive and deepening education in production safety, traffic safety, fire prevention, public health and epidemic prevention, and other areas. We should strengthen our law enforcement force, upgrade the management personnel's quality, and work to improve the city's administrative and safety work by resorting to the law, the support of the masses, and scientific methods.

In the past 5 years, people throughout the city have given their cooperation and support to the municipal government's work, and have withstood with us the "shocks" which are bound to take place in the initial stage of reform and in the process of deepening of reform. The Standing Committee of the eighth municipal people's congress, the municipal CPPCC committee, and various democratic parties, mass organizations, and patriotic people of Shanghai have offered effective supervision and assistance to the municipal government's work, and have worked together with us with one heart, enabling us to tide over many difficult moments. Retired comrades and comrades who have withdrawn from the first line have shown great concern for the municipal government's work, and offered many valuable opinions and suggestions for Shanghai's development. The PLA units stationed in Shanghai, the armed police force, and the

public security cadres and policemen have made important contributions to safeguarding and developing Shanghai, and maintaining its social order. Various departments of the central authorities and the State Council, and various fraternal provinces and cities have shown concern for, and given their support to, Shanghai's development. On behalf of the incumbent municipal government, I hereby give my sincere thanks to them.

II. Proposal for Shanghai's Economic and Social Development During the Next 5 Years

The 13th CPC National Congress has formulated the party's basic line for the initial stage of socialism, and set up the strategic target for second-step economic development, that is, to enable the people to lead a fairly comfortable life by the end of this century. In the march to turn this great blueprint into reality, Shanghai has a two-fold historical mission: On the one hand, Shanghai should be in the van of our country's four-modernization drive and be the first to build itself into a modern, central city, highly industrialized, with a prosperous economy, a thriving culture, and well-developed science and technology. It should become one of the economic, trade, financial, and information centers on the west coast of the Pacific. On the other hand, Shanghai should ceaselessly make new contributions to our country's reform and economic development, and serve as a bridge linking our country with the outside world. While providing service to help the interior develop exports and going out into the world along with inland enterprises, it should pass on to the interior the information it has obtained from the international market, and the advanced technologies and management methods it has learned from abroad, to serve as a base and a window for China's modernization program.

To fulfill this historical mission, Shanghai must further deepen its reform, open even wider to the outside world, firmly carry out the economic development strategy for coastal areas, formulated by the central authorities, vigorously plunge into the international market to participate in international exchange and competition, and take the path of developing an export-oriented economy. This is the only strategy for Shanghai, and is also the fundamental way if Shanghai is to achieve prosperity.

Based on the above, Shanghai's fundamental proposal for economic and social development during the next 5 years should be as follows: We should keep to the party's basic line for the initial stage of socialism and the principle of simultaneous development of material and spiritual civilizations, deepen reform, and open wider to the outside world. We should accelerate our transformation into an export-oriented economy by focusing on developing productive forces, relying on advanced science and technology and scientific management, and adopting a strategy of combining the efforts to properly guide exports with those to seek substitutes for imported products. Through about 5 years of effort, we should try to achieve the following goals: The percentage of export

goods in the total value of commodities produced should be raised from the present 30 percent to more than 40 percent. Raw and semifinished materials for manufacture of export goods should be obtained mainly from the international market. Funds required for major urban construction projects and for development of backbone industries should come mainly from abroad. A number of export-oriented enterprises which are relatively competitive in the international market should be established. Most of the traditional industries and old enterprises should be transformed, and the services of main trades and quality of major product should be brought to a level equivalent to the international standards in the early 1980's. The urban outlook and the environment for investment should be greatly improved. There should be a balance between economic and social development in both urban and rural areas. A great improvement should be made in the people's well-being.

To turn the above proposal into reality is a very arduous task. In the coming 5 years, we should adjust our industrial structure to cope with changes in the international market, and quickly build our municipality into a big export base. We should proceed with a quicker pace to utilize capital from abroad by making good use of the various preferential policies that the central authorities have granted Shanghai for increasing the use of foreign funds. Further efforts should be made to increase the vitality of big and medium-sized state-owned enterprises, establishing an enterprise management mechanism suited to the development of an export-oriented economy. Moreover, enterprises should be granted more power to do import and export businesses directly, and a new production structure should be formed to meet the needs of international competition. In addition, we should give full play to the multi-functional role of Shanghai as a central city, and expand our municipality's cooperation and economic ties with other municipalities and provinces in the interior and in the Chang Jiang Sanjiaozhou.

Shanghai is an old industrial city with a large number of enterprises whose production was planned by the state. Thus, the development of its export-oriented production is expected to encounter numerous problems. In the process of replacing the old system with a new one, Shanghai is gradually losing its edge and its economic dominance is seriously challenged. Problems caused by various kinds of restrictions are noticeably seen in the lack of vitality on the part of large and medium-size state enterprises, which are the mainstay of the national economy. Because of shortage of resources and price rises, some enterprises of Shanghai's relatively developed processing industry cannot operate at full capacity, and their profits are dropping. Because of outmoded management, Shanghai's relatively strong scientific and technological prowess cannot be applied very well to production, and scientists and technicians cannot give full scope to their proficiency. And because of outdated infrastructure and poor management, Shanghai still has to become a good place for investment, despite its outstanding geographical location.

We must realize, however, that after more than 30 years of construction and development, Shanghai's economic, scientific, and technological strength is stronger than ever before and a relatively comprehensive educational system has been established. These are conditions conducive to Shanghai's economic rejuvenation. Current industrial development in the world is also a favorable condition. Shanghai's future lies in the central authorities' recent principle that Shanghai should develop an export-oriented economy. Meanwhile, the central authorities have also authorized Shanghai to enjoy greater financial independence by approving a plan under which Shanghai contracts to deliver a fixed amount of revenues to the state each year. These preferential policies reflect the central authorities' great concern and support for Shanghai.

Shanghai is now going through a transitional period in which there are hardships and hopes, challenges and opportunities. We should emancipate our minds, renew our thinking, seize opportunities, accept challenges, work earnestly and efficiently to foster our strengths and combat our shortcomings in exploring ways of development with Shanghai characteristics.

On the basis of this concept, we propose that Shanghai pay special attention to the following tasks in the next 5 years:

Go All Out To Boost Shanghai's Economy and Expedite the Development of an Export-Oriented Economy.

To rejuvenate Shanghai, the development of Shanghai's productive forces must be the focus and starting point of all projects. Only when we have boosted Shanghai's economy can we accomplish the dual historical tasks we shoulder, have more money for urban construction and all kinds of social projects, and further improve the people's living standard. Therefore, making all-out efforts to develop Shanghai's productive forces is an urgent task before us.

— We must strive to reverse the trend of declining economic performance in the industrial sector. Many of the problems in our economic life must, in the final analysis, be resolved by improving economic performance and increasing production. Improving product quality and reducing consumption of resources are essential to ensure economic results. As reforms continue to deepen, we should earnestly increase production and revenues and conserve resources and expenditures, and strive to improve management, productivity, and product quality. Each and every enterprise should consider it its goal to compete on the market with quality goods. Industrial production must maintain a steady growth, otherwise our efforts to expand export, develop the market, and contain the financial "landslide" will be of no avail. We must continue to adjust product mix according to market needs and actively increase the output of marketable goods. We should make great

efforts to ensure supply of raw and semifinished materials. We should, by promoting lateral economic ties, broaden exchange of materials, and raise funds needed for the development of material supply bases. In accordance with the law governing commodity economy, we should broaden channels at home as well as abroad to stabilize and increase the supply of raw and semifinished materials and ensure normal production.

— Earning more foreign exchange by expanding export is the direction in which Shanghai should channel its efforts in its economic development. Only if we can sell more popular quality goods on the international market and earn more foreign exchange can we utilize more international resources. Therefore, we must support certain mainstay, export-oriented manufacturers and enterprise groups so that, as quickly as possible, we can have some "lead" products which we can develop and compete with on the world market. We should utilize more foreign capital to rebuild our traditional industries and old enterprises so as to upgrade their technology, develop new products, and expand export. We should support collectively owned city and township enterprises to develop the processing of supplied materials, assembling of supplied parts, production according to supplied patterns, and compensatory trade, so as to increase the production of labor-intensive and labor- and technology-intensive goods for export. We should also fully utilize Shanghai's overall dominance by giving full scope to the initiative in all quarters and develop export of technical commodities; promote production of foreign exchange-earning agricultural goods and expand export of agricultural and sideline products; and earn more foreign exchange by expanding indirect trade and services. We should strive to make Shanghai a seaport with an annual export volume of \$6 billion 5 years from now.

— We should promote stable economic development in the rural areas by earnestly implementing the principle that urban and rural areas should be integrated; that peasants should be able to produce enough food grain for themselves and cities can depend on the rural areas for the supply of principal nonstaple foodstuffs; that agriculture, industry, and sideline production should develop harmoniously; and that more bases should be constructed for nonstaple food production, for the expansion of large industries, for export, and for scientific research. The principal goals for the next 5 years should be: stabilizing the output of food grain, cotton, and edible oil; expanding production of nonstaple foodstuffs; and developing township enterprises. We should speed up agricultural mechanization, attach great importance to construction of irrigation and agricultural facilities, appropriately expand operations, and improve the rural areas' ability to combat natural disasters. Within the next 3 years, urban areas should gradually be able to produce basically enough fowl and eggs and half the amount of pork needed for their own consumption and have a relatively stable vegetable supply. Departments in charge of industry, commerce, foreign trade, science and technology, and material and equipment supply should

care for and support the rural areas' economic development. With scientific and technical support, they should energetically develop township industries, help promote the implementation of the "Spark" plan, and integrate the urban areas' capability of producing quality products and better technical expertise, equipment and management with the rural areas' abundant manpower, spacious areas, and marketing methods so that the rural areas' economic development will become increasingly intensive, depending primarily on technological improvement and better economic performance. We should attach importance to the construction of state farms, giving full play to their demonstrative functions at a time when traditional agriculture is being replaced by modern agriculture. Meanwhile, we should continue to support the development of industrial production at these farms.

— As for investment, we should put the stress on production and construction. To achieve high economic growth, appropriate input is essential. During the next 5 years, the bulk of additional local resources acquired on the basis of fulfilling contracts of delivering fixed amounts of revenues to the state should be spent on developing production. According to the requirements in developing export-oriented production, money should primarily be invested in transforming traditional industries with new technology and developing the production of goods which require precision and extensive processing; in developing production of mechanical goods, electrical appliances, and meters and gauges as well as basic materials; in developing bases for agricultural and sideline production and production of foreign exchange-earning products; and in supporting projects of using foreign capital to rebuild outmoded enterprises and expand export. Meanwhile, according to the requirement of constantly improving the industrial structure, we should have scientifically formulated production policies in order to rationalize the production structure. We should continue to support and maintain the rapidly advancing momentum of the tertiary industry in national economic development.

Accelerate and Deepen Reform, Gradually Ascertain Dominant Role of New Economic Structure

The transformation of Shanghai's economy into an export-oriented one is a dual process. It changes the product economy into a commodity economy. At the same time, it changes the domestic market oriented economy into an export-oriented economy. It is a change which involves the economic structure, the economic system, and government functions. The building of an export-oriented structure is a process of deepening and accelerating reform. Only by letting reform play a dominant role in the overall process, planning overall reform by emphasizing the promotion of an export-oriented economy, and closely linking reform with production, can we gradually ensure the dominant role of the new economic structure.

— We must further deepen reform in various enterprises; comprehensively promote and improve the contract managerial responsibility system; increase commodity production; and improve the functions of various enterprises. We must introduce competition in enterprises, put into effect the director (manager) responsibility system, and do a good job in doing basic work in various enterprises. We must improve the accounting system in various enterprises, implement the "full-load operation method" and improve our democratic management. We must accelerate reform in enterprises, enliven enterprises, improve their "hematopoietic" functions, develop the mechanism of self-restraint and self-development, and bring about self-sustained growth of our national economy as a whole.

— While invigorating state-owned large and medium-sized enterprises, we must continue to develop economy of other types of ownership. We must boldly develop rural and urban collective economy, strengthen horizontal economic ties between state-owned and collective enterprises, and between collective economy and individual economy. We must protect and encourage the development of individual economy and private economy, and give them proper guidance so that they will quickly develop by competing with and promoting each other and enhancing their vitality.

— We must deepen reform in our financial system. While implementing the contract system involving major base figures in financial affairs, we must follow the unified leadership, strengthen administrative work at various levels, and divide responsibilities among various individuals. We must implement the contract system involving financial affairs in various districts and countries, improve work in handling financial affairs at the municipal, district, and county levels, and develop a new financial system. We must strengthen tax collection and related administrative work, implement a contract system for all expenditures, and ensure that all new financial resources are used in developing the economy.

— We must accelerate reform of the foreign trade system to meet the needs of developing an export-oriented economy. In line with our effort to institute a contract managerial responsibility system in foreign trade and make enterprises assume sole responsibility for their own profits and losses, we should delegate more power to foreign trade enterprises, promote closer ties between industry and trade, expand the agency system, and invigorate foreign trade operations so as to create good conditions for import and export. Foreign trade, industrial, and import-export companies should serve domestic enterprises by opening up foreign markets. To ensure that foreign trade develops soundly, we should coordinate efforts in improving management of foreign trade.

— We must appropriately carry out reform of the systems of planning, investment, materials supply, price control, banking, wholesale commerce, distribution, real estate control, and labor and personnel so as to improve

the system of macroeconomic control. We should make further efforts to develop a sound marketing system including markets for consumer goods and for means of production, the money market (including the foreign exchange regulatory market), the technology market, the real estate market, the specialized personnel market, and the labor market. We should also establish step by step an economic operations mechanism which combines macroeconomic control and microeconomic operation and is conducive to the development of an export-oriented economy.

— We should actively but cautiously restructure government organs and institute a system for the management of state public functionaries. The objective is to change these organs' functions and improve their efficiency. After full preparations have been made, we should eliminate redundant organs, reinforce and strengthen departments in charge of economic affairs, foreign economic relations, and indirect, overall control in accordance with the central authorities' unified plans, the principle of separating party and administrative affairs and freeing enterprises from government control, and the principle of simplification, uniformity, and efficiency. We should establish and improve institutions in charge of culture and arts. We should create the conditions essential to streamline the relationship between government on the one hand, and enterprises, institutions, and people's organizations on the other, the relationship among government departments, and the relationship between the municipal government and district and county governments. We should continue to define responsibilities and delegate authority, and give full scope to the role played by community offices in municipal construction and administration. During the course of restructuring, we should combat bureaucratism, improve efficiency, and strengthen overall control of government organs over economic and social development.

We Should Work Hard To Integrate Science and Technology with Production and Improve Workers' Proficiency in Order To Give Shanghai a New Edge in Development

To foster the tremendous role of science and technology in rebuilding and rejuvenating Shanghai, we must attach great importance to scientific and technological progress. The key task for the next 5 years is to organically integrate Shanghai's scientific and technological strength with its economic development so as to give Shanghai a new edge in development in all fields.

— We should have the institution and policies necessary to enable us to resolve the separation of scientific research and production. We should intensify overall coordination so that we can bring about the integration of science and technology with production in Shanghai. Based on the enterprises' contractual operations, we should draw up policies which can expedite the technological progress of enterprises. While state-owned

research units should undertake research projects by contract, we should enliven and develop independently and collectively operated research organs and encourage research organs and researchers to work for production so that more research achievements can be turned into productive forces in Shanghai's enterprises.

— We should actively organize researchers of all research institutes — including those of the central government in Shanghai — and researchers of schools of higher education to take part in Shanghai's construction. We should continue to pay great attention to basic research, intensify applied and exploratory research, and make great efforts to disseminate those types of achievements that require limited investment but yield quick results so that these achievements can serve the development of new industries and enable our products to compete on the world market. While helping large and medium-size enterprises upgrade their technology and produce new, better quality products, we should provide small enterprises with all kinds of services which will help their development. We should strive to develop modern industrial parks where research and production are closely integrated.

— Since Shanghai has all types of philosophy and social science institutes, and people specializing in these fields, we should make full use of these resources and make them serve Shanghai's economic and social development. From a Marxist standpoint and with Marxist viewpoints and methods, social science workers should study the new situation — as well as problems — of reform, opening up, and construction, and explore and expound Shanghai's material and spiritual construction from a theoretical angle. While intensifying basic research, they should pay attention to integrating theory with practice, intensify applied study, and come up with good ideas which are useful to deepening reform in Shanghai and opening Shanghai wider to the outside world.

— Shanghai's scientific and technological development and its economic revitalization depend on improving the workers' proficiency and training large numbers of qualified personnel. In a sense, international economic competition is a competition of talents. Thus, training all kinds of economic administrators versed in foreign economic affairs is an urgent task for educational departments during the next 5 years. We must attach great importance to education, expedite and deepen educational reform, and build a mechanism which closely integrates education with economic development so as to bring about harmonious educational, economic, and social development. On the basis of achieving production growth, we should give priority consideration to increasing education investment, strive to spend education budgets efficiently, and continue to encourage people in all social quarters to set up schools by using their resources, or to contribute money for scholarships. We must strengthen basic education and take effective steps to build a stable contingent of qualified teachers. We

must do a good job in revising curricula and teaching materials of secondary and primary schools, pay particular attention to improving the quality of education, and continue to combat the trend of seeking only entry of a higher percentage of students into schools of a higher grade. We must uphold the principle of moral, intellectual, physical, and esthetic development, and appropriately increase practical education so that we can keep training highly proficient reserve forces needed for economic construction and scientific, technological, and cultural development. We should give full scope to the composite superiority of schools of higher education in Shanghai and, according to the needs of economic and social development, continue to regulate the size of various specializations so that more proficient personnel in short supply can be trained. Vocational and adult education should also be restructured. With a view to supporting production, it should focus on improving workers' proficiency and skills. To train all types of qualified workers for rural areas and township enterprises, we should intensify professional and technical education in rural areas, giving full play to the role of agricultural colleges and schools.

Strengthen Municipal Construction and Scientific Management, and Strive To Improve the Investment and Living Environment.

An efficient urban infrastructure is essential for economic development and promoting export. In the light of Shanghai's overall plans and realities, we should properly plan our infrastructural construction, pay attention to the development of satellite cities and towns, and maintain coordinated development in production and construction. Adhering to the principle of doing what we are capable of, seeking truth from facts, making overall plans, and ensuring the needs of key projects, and in the spirit of reform, we should courageously explore a path for intensifying urban construction and administration.

— Municipal construction must give consideration to economic construction and people's livelihood, attaching importance to improvement of the environment for investment and living. We should strengthen macroscopic planning and management, plan all construction projects in an allround manner, and pool our resources to build key projects which are important for the development of an export-oriented economy and which have a great impact on the people's livelihood. Special emphasis should be placed on alleviating prominent traffic problems in downtown areas. To improve Shanghai's communications, power supply, and telecommunication services, Shanghai will, during the next 5 years, accomplish the construction of the first-stage subway project, the second bridge across the Huangpu Jiang, the downtown sewage control project, the Wusong International Pier, the Shidongkou power plant, the expansion of the telephone system, and the Hongqiao International Airport lobby, as well as some road construction projects, including the extension of Ningguo Road to the other side of the river.

— Shanghai's municipal construction and development should proceed in a comprehensive manner, and should be managed the way we manage large-scaled commodity production projects [shang pin hua jing ying fang shi 0794 0756 0553 4842 3602 2455 1709] so that they can yield better results and the city can adapt itself better to development and change. Construction funds must be efficiently managed, and construction projects should be handled by open bidding. We should introduce the competitive mechanism in handling these projects and pay attention to their economic performance and social benefit [she hui xiao yi 4357 2585 2400 4135]. Whenever possible, a fee should be charged for the use of infrastructural facilities. We should fully utilize Shanghai's geographical advantage, and adopt various policies governing the right to use land, which may be transferred on a compensatory basis, while foreign capital should be used for major construction projects and the development of Pudong, Chongming, and other new areas. To enliven housing construction and develop real estate services, Shanghai's housing system should be reformed in a planned manner, living quarters may be traded like commodities in groups and by stages, and housing construction funds may be raised through various channels.

— Municipal construction must be properly planned. There should be proper legislation so that construction projects can be managed according to law. According to Shanghai's overall plans and the need to develop an export-oriented economy, we should step up drawing up and improving various district plans, plans for specialized businesses, and other specific plans. We should intensify legislation on municipal construction and firmly handle all construction projects according to law. Environmental protection is one of China's basic national policies. While promoting economic development, we must take positive steps to prevent environmental pollution, carry out comprehensive environmental control in urban and rural areas, preserve and improve their ecology, and strictly control the use of more land for nonagricultural uses. We should, in particular, stabilize the size of vegetable plots, and speed up land reclamation along rivers and the seashore. We should give full rein to the role and initiative of various districts and counties, and intensify urban development, construction, and maintenance.

Efficient control of urban safety and sanitation is essential to protect state property and people's lives and property, and improve people's physical health. Therefore, we should intensify prevention of all sorts of mishaps and work constantly to eliminate anything that may jeopardize safety. We should make unremitting efforts to educate people throughout Shanghai to pay attention to safety until they realize that "safety is the first prerequisite and prevention is essential" so that we can count on people throughout Shanghai to ensure safety. We should have departments at all levels assume responsibility for ensuring safety, and sternly denounce the irresponsible bureaucratic attitude and behavior of ignoring safety and supervision. Anyone who causes a

major loss of state property and people's lives and property as result of his lawless act must be handled seriously according to law. Everyone in society must pay attention to sanitation. As our economic and social development continues to proceed, we should have better medical and sanitation conditions step by step and improve our medical and health networks and services at all levels. We must emphasize prevention, popularize sanitation and health knowledge, earnestly intensify disease prevention services, and strive to change our environmental appearance.

Fellow deputies:

Socialist material construction and spiritual construction are inseparable entities. While carrying out reforms and opening to the outside world, we must attach great importance to spiritual construction. Without the guarantees and support of socialist spiritual construction, our economic construction, reforms, and opening up cannot proceed soundly. We must uphold the four cardinal principles, intensify socialist democracy, improve the socialist legal system, and strive to bring about thriving theoretical, cultural, and educational development. We should develop sports and public health services, create public opinion and a civil and sound social environment compatible with reforms and opening up so that our spiritual construction will become an important internal force pushing forward Shanghai's economic and social development.

Now, as we are carrying out the reform and open policy, the rapid changes in economic structure and system will inevitably elicit strong reactions in people's minds. China's ideological and cultural exchanges with foreign countries have brought into the country many useful things as well as some erroneous ideas. Such ideas may easily spread among the masses. During this period, people's thinking is very lively; at the same time, there might be some ideological confusion. Unless we straighten out things, such confusion may adversely affect the smooth development of our plans for carrying out reform and opening to the outside world.

Therefore, an important task for the governments at all levels is to resolutely develop the two types of civilization under the new situation, and to regard the task of strengthening and improving ideological and political work as our bounden duty. By strengthening and improving ideological and political work, we will unify the people's thinking so that they will concentrate their efforts on increasing productivity; we will deepen reform and open even wider to the outside world, and vigorously rejuvenate Shanghai. We must help people whip up their enthusiasm to vigorously develop the planned commodity economy and create a new situation to promote the export-oriented economy in Shanghai. In the meantime, we must expose and condemn ugly social phenomena, help the broad masses distinguish right from wrong, and draw a clear-cut demarcation line between the beautiful and the ugly and between the good

and the bad in social life. Shanghai, as China's largest coastal city open to the outside world, is an important window reflecting the moral standards of the Chinese people. We should make the spirit of patriotism, social and professional ethics, and civility show themselves in all their glory among the residents and young people of Shanghai.

To strengthen ideological and political education, it is necessary to meet the needs of carrying out reform and opening to the outside world, resolutely do away with formalism, and refrain from preaching without providing much substance. We must bring into full play the role of the mass media such as radio broadcasts, motion pictures, television, and literary and art works in creating a healthy social environment which encourages people to continuously make progress. We must strengthen control over the cultural products market, and strive to improve the quality of such products so as to meet the masses' extensive needs.

The best form of education is that of providing fine examples. Leading cadres and staff members of all state organs and undertakings should set good examples by working hard, remaining impartial and honest in performing their official duties, and wholeheartedly serving the people to lead the broad masses to forge ahead. At the same time, they must be concerned about the people's weal and woe and help people solve ideological as well as practical problems in their livelihood. The broad masses of workers in the field of education shoulder the glorious task of educating the people. They must vigorously foster the fine practice of respecting teachers and attaching importance to education. In the meantime, all teachers must set good examples for students, and guide students to preserve outstanding values and strive to achieve a correct objective in life. All trades and professions, particularly those departments that directly serve the broad masses, must develop their professional ethics and become windows for widely publicizing spiritual civilization. If we earnestly carry out our work in this regard, there will be tremendous improvement in the people's moral standards in Shanghai.

The broad masses of cadres doing political work have paid great attention to carrying out ideological education and propaganda work. Under the new situation, the task of doing ideological and political work will be even more arduous and difficult. We must help the cadres doing political work and encourage them to settle down to do their work, study the new situation, solve the new problems that arise, and find new ways to carry out ideological and political work well at the grass-roots level in the course of promoting the reform and open policy. We must extensively and persistently carry out education on following the basic line during the initial stage of socialism, on propagating theory for the development of the planned commodity economy, on promoting socialist ethics, on displaying the spirit of self-reliance and hard work, and on strengthening the democratic legal system and national defense. We must integrate our

ideological and political work with our economic work and our work in other fields, achieve actual results in doing our work, and ensure the smooth development of the reform and open policy and the modernization program.

We should sum up and disseminate the experience of trade unions, CYL organs, women's federations, and other mass organizations as well as residents' committees, villagers' committees, and other grassroot autonomous organizations in educating, managing, and helping themselves, and give full play to their role in promoting dialogue between the government and the masses and in supervising the government. To further promote military-government-civilian ties, we should continue to encourage the military, the government, and the people to carry out socialist spiritual construction together.

A society's progress is evident from its activities, environment, sanitation, and relations among the people, as well as from the people's spiritual outlook. We must therefore consider our cultural, sports, and sanitation undertakings as an important part of our economic and social development. Meanwhile, we must encourage people to change their outmoded habits and to pursue a healthy and scientific life style so that we can bring about a new socialist order characterized by unity, fraternity, harmony, and cooperation in Shanghai.

III Major Projects for 1988

Nineteen eighty-eight is an important year in which the development of an export-oriented economy in Shanghai will continue to gain speed. To give impetus to Shanghai's economic construction and the development of various projects, we must consider reform as the center of all projects, proceed from Shanghai's actual situation, uphold the principle of stabilizing the economy and deepening reform, and earnestly solve any problems standing in our way.

To this end, we must make special efforts to accomplish work in the following 10 sectors.

1. Firmly Follow the Guidance of the Market, and Work Hard To Achieve Steady Growth in Industrial and Agricultural Production.

On the basis of adjusting product mix and achieving better economic results, Shanghai's gross industrial output is expected to reach 10.18 billion yuan this year, an increase of 4 percent over 1987. We should, according to the needs of domestic and foreign markets, increase production of scarce but popular daily necessities, raw and semifinished materials in short supply, urgently needed commodities for agricultural production, and highly profitable commodities which have high market potential and high additional value, and commodities for export. We should speed up the development, dissemination, and application of new products, new techniques, new technologies, and new materials so as to

replace old products with new ones, and should achieve better quality and a higher percentage of end products. We should lower the consumption of raw and semifinished materials and energy, tap the potential of capital, speed up capital turnover, and encourage manufacturers to achieve better economic performance. To maintain steady growth in industrial production, we must do all we can to ensure supply of raw and semifinished materials, expand the scope of redistribution, purchase materials not subjected to state distribution, and speed up import of raw and semifinished materials and ancillary equipment. We should promote lateral economic ties between large industries in Shanghai on the one hand and industries in the suburbs and fraternal regions on the other. To support economic growth, we should take active steps to achieve a balance in foreign exchange and credit funds.

This year, Shanghai's total agricultural output is expected to reach 2.53 billion yuan, an increase of 2 percent over 1987. While stabilizing the output of food grain, cotton, and edible oil, we should consider it a main project to ensure the supply of nonstaple foods. To meet the requirement of building bases for steady, long-term nonstaple food production, we should actively raise funds to ensure the development of nonstaple food in Shanghai and adjacent counties and townships, and draw up policies to promote production. While operating large, efficient state-run and collective pig and chicken farms and actively supporting large, specialized producers, we should also encourage production by individual households in order to decentralize production. We should take gradual steps to improve social services which support production. We should attach great importance to agricultural mechanization and scientific management and application, and disseminate achievements in agricultural research. To maintain steady agricultural growth, we should, besides spending more state and local funds on agriculture, also subsidize agricultural and nonstaple food production with earnings from industrial production in order to improve conditions for agricultural production and promote agricultural development. Meanwhile, we should improve the output-based contract system, stabilize and improve the various agricultural policies, and continue to support agricultural production in order to arouse the peasants' production enthusiasm.

2. Promote Contractual Management in All Enterprises To Invigorate Their Operation

Promoting contractual management in all enterprises is the focal point of deepening reform this year. All trades, professions and enterprises should earnestly implement the "Provisional Regulations Governing Contractual Management in State-Owned Industrial Enterprises." According to their specific situation, they should have contracts governing how the additional profit quota handed down by the state should be divided, the amount of profits to be delivered to the state, the amount of retainable profits in excess of the quota, and how much

deficits can be reduced. They should also tie the total payroll to economic performance, promote contractual management in all sectors, and carry out the necessary supporting reforms.

To improve an enterprise's management and invigorate its operation, a system of competition should be introduced into the selection of managers, managerial groups, and administrators at all levels, through public bidding, appointment, democratic election, or other methods. Efforts should be made to promote the director-in-charge system and improve democratic management; to reform the institutional, personnel, labor, and distribution systems, enforce work discipline, and establish and improve various other systems; and to actively try out the method of operating at full capacity, the factory banking system, and other effective management methods. To rationally restructure enterprises' institutions, they should be encouraged to be each other's contractors and share holders, undertake leasing operation, merge with one another, or sell their property rights.

Positive efforts should be made to create a good environment for contractual operations in enterprises. Privileges and obligations of both contractors and contract recipients should be institutionalized. Supplementary reforms concerning planning, investment, material supply, financial affairs, banking services, and foreign trade should be accelerated in order to strengthen the government's overall control and coordinate overall control and individual initiative.

3. Increase Exports, Speed Up the Use of Foreign Capital, and Open Wider to the Outside World.

In accordance with the State Council's decision on accelerating and deepening the reform of the foreign trade system, a contract system governing the management of foreign trade has been enforced since the beginning of this year. Adhering to the policies of letting enterprises assume sole responsibility for their profits and losses and have a free hand in their own management, of combining production with marketing, and of promoting a new system of export and import agents, foreign trade and production enterprises must fulfill the state contracts for foreign trade. We should strengthen the combination of production and marketing, and promote joint efforts to undertake contractual projects. In addition to the existing production-marketing corporations, we should set up more competitive production-marketing associations in order to increase exports. Well-managed enterprises and enterprise groups should be encouraged and supported to handle their exports directly. We should continue to deregulate policies and permit township enterprises, community factories, and medium and small state-owned factories to undertake the "three supply and one compensation" businesses [processing supplied materials, assembling supplied parts, and processing goods according to supplied patterns; and compensatory trade — FBIS]. To increase the value of export commodities, we should actively guide

enterprises to accept projects that require extensive and precision processing so that they can earn more foreign exchange. We should uphold the principle of reciprocity and common development, and consolidate and expand the cooperation between port cities and inland areas. We should make efforts so that this year's total exports will set a new record.

A bigger step must be taken in using foreign capital. This year the total amount of foreign capital planned for utilization is \$730 million. The focal point for this work must be placed on improving the investment environment. Management and services catering to foreign-invested enterprises must be strengthened and improved to positively help them solve specific problems which exist in production and operations. We must improve the organizations that make use of foreign capital, set up examination and approval organizations which are comprehensive and authoritative, streamline procedures, delegate more power to lower levels, and improve work efficiency. On the basis of putting in order the laws and regulations that concern external economic policies, we must keep a good grasp on, revise, and formulate laws and regulations in this regard to serve the export-oriented economy and to keep in line with international practice. At the same time, we must conduct our duties in accordance with the law and protect the decision-making power of foreign-invested enterprises. Based on our ability to repay and the capability of our country to provide the funds and materials, we must accelerate the pace of technological transformation in projects under the "94 special projects," and strengthen business accounting and supervisory measures for improving their economic returns.

4. Accelerate Scientific and Technological Advancement and Skilled Personnel Training To Promote Economic Development.

We must attach importance to the integration of technology and production, publicize scientific research achievements which are efficient and yield quick results, and transform these achievements into productive forces as quickly as possible in order to serve Shanghai in its development of an export-oriented economy. We must draw up and be flexible in management policies for scientists and technicians. We must encourage these people to tackle key problems in large and medium enterprises, major projects, and "fist" products. We must support them in their bid to exercise their talent in medium and small, town, township, and neighborhood enterprises in Shanghai. We must also encourage and support scientists and technicians who have retired or left their posts to exercise their "surplus fervor." We must promote the implementation of the contract managerial responsibility system in scientific research units, support and encourage the integration of scientific research organizations and manufacturing enterprises, and promote the interchange of skilled personnel, capital, and technology. We must expand the technology market and information services to give impetus to

technological development and advancement. We must further implement the "spark plan" for vitalizing the agricultural economy, organize the demonstration and promotion of science and technology in suburban counties, and mobilize scientific and technological forces to help set up bases that produce nonstaple farm produce on a large and efficient scale.

To achieve progress in industrial technology, we must strive to introduce, digest, and absorb advanced foreign technology. We must accelerate the pace of Chinese production of sedan cars, televisions, and refrigerators. We must keep a good grasp on putting into operation and achieving production targets in key technological transformation and introduction projects, and in the development of new industries represented by the micro-electronic industry.

Schools must regard as their fundamental mission the training of skilled personnel who have integrity, intelligence, physique, and beauty. They must seriously heed ideopolitical training for students and strive to improve the quality of education. Along with augmenting basic education, they must adapt to the requirements of reforms and opening up to the outside world, and give priority to the training of skilled personnel urgently needed for economic development. They must continue to adjust the internal organization of their administrative levels and subject varieties, and concentrate their training on the various types of skilled personnel needed, especially those in management, foreign trade, finance, and law. We must inspect and guide educational work in all types of schools and evaluate their quality of education. We must take proper measures to tackle the problem of maximum enrollment in primary schools. We must intensify vocational-technical education and actively expand adult education that is based chiefly on hands-on training. We must strive to improve the operational quality of specialists and the technical quality of staff members and workers through whatever means available. We must keep the knowledge of teachers up to date, improve the quality of teaching, and pay attention to efficiency in educational work. We must maintain a good grasp on reforming student enrollment, graduate distribution, and the management structure of education. We must expand the decisionmaking power for conducting educational work so as to meet the requirements of economic development and the situation.

5. Pay Close Attention to Key Projects, and Ensure a Good Job in Urban Construction and Management

In carrying out urban construction this year, it is necessary to ensure a good job in key municipal infrastructure projects and their support facilities, in particular, completion of the underwater tunnel on Yanan East Road (for trial traffic), the Shanghai-Jiading highway, and the support facilities for the four projects of the new bus terminal, the underwater tunnel on Yanan East Road, the vehicular overpass on Langao Road, and the vehicular overpass at the intersection of Zhongshan North

Road and Jiaotong Road. The construction of the first-phase subways, the second Huangpu Jiang Bridge (south pier), the municipal sewerage tank, and the departure lounge at Hongqiao International Airport, and the installation of 200,000 computerized telephones should be started this year. It is also necessary to pay particular attention to the first-phase construction of the Wusong international passenger pier. At the same time, efforts should be made to eliminate hidden hazards threatening the safety of city life and production, and to help solve people's practical problems in nine areas. It is necessary to complete the preparations for the first-stage development of Pudong and Chongming areas, and to improve the investment environment in the Minhang and Hongqiao development zones so as to achieve better investment returns. The plan for housing reform should be published and implemented after soliciting the opinions of the municipal residents before the end of this year.

In order to overcome lax management, it is necessary to enforce the law and strengthen urban management. Efforts should be made to beautify the city's appearance, ensure good sanitation work, build more landscaped gardens, and raise the quality of managerial personnel. Traffic congestion in the downtown areas should be improved.

It is necessary to gradually introduce a system of compensated use for state-owned land in the city, and to try out compensated transfer of the right to use land at selected points.

6. Strive To Increase Supply and Effectively Strengthen Price Supervision

It is necessary to increase market supply, focusing on the supply of foodstuffs and manufactured goods in great demand. It is also necessary to improve the links between the producing units in industry and agriculture and the marketing units in commerce, and to expand lateral economic ties with fraternal provinces and municipalities so as to tap new sources of commodities for marketing in Shanghai. Efforts should be made to accelerate the reform of the state-run commerce system, striving to reduce the intermediate links between producers and consumers and to explore diverse circulation channels, including direct links between marketing units and production bases.

We should strengthen price supervision and industry and commerce administration, and improve the mass pricing supervision system so as to maintain normal market order. Driving up prices, speculation, resale for profit, manufacturing and marketing of fake or substandard goods, and other unlawful acts should be sternly handled.

7. Resolutely Retrench Administrative Expenses, Control Institutional Purchases, and Clamp Down on Extravagance and Waste

In recent years, Shanghai has seen an excessive rise in institutional purchases which considerably exceeded the annual production growth rate. The increase in institutional purchases has not only whipped up demand, but

also encouraged unhealthy practices in society to a certain extent. As a result, administrative and operational expenses have also increased sharply. If we fail to resolutely control institutional purchases, retrench administrative expenses, and clamp down on extravagance and waste, such unhealthy practices will impede the reform and open policy and adversely affect Shanghai's economic and social development. All departments must conserve financial resources and tighten up their budgets in the spirit of building up an enterprise through thrift and hard work.

This year the operating expenses of all administrative units should be reduced by 10 percent over last year, while institutional purchases should be cut by 20 percent over last year. It is necessary to clamp down on the wanton issuance of cash and goods by all departments and enterprises, prohibit the use of public funds for giving banquets and gifts and sightseeing, and reduce the number of meetings. All administrative units should strengthen supervision over budgetary and extrabudgetary funds and bring the increase in consumption funds under control.

8. Further Simplify Administrative Procedures and Delegate Power to Lower Levels in Order To Improve Government Work

The current situation of reform and opening requires that we further simplify administrative procedures and delegate power to lower levels in order to improve government work. The following are the key measures for improving government work this year:

First, we should delegate more power to enterprises in line with the principle of separating administrative functions from enterprise management. After administrative industrial companies are reformed, we should pay attention to coordination work and create conditions for the gradual abolition of specialized sections so as to delegate to enterprises functions that belong to them. We should also explore new methods of business management, establish a system of trade associations, and strive to improve them.

Second, we should expand the powers and duties of districts and counties. The functions of governments at different levels should be clearly defined, provided the decrees of the central government are ensured. Districts and counties should be allowed to conduct business within the limits of their authority. In this way we can tap their potential and enhance their initiative in urban construction and management as well as economic development. We must straighten out the financial relations between the municipality and the districts and counties, and adopt appropriate measures to delegate power to districts and counties in the fields of planning, foreign trade, commerce, labor, wages, and urban construction so as to make these powers match the power to handle financial matters.

Third, we should make ample preparations for reform of the structure of government organizations and the institution of a national public service system. The structural reform of government organizations is a complex task requiring persistent efforts as well as meticulous preparations. This year we should conduct a fact-finding study on the current structure, functions, and personnel of the municipal level organizations in line with the State Council's unified arrangements, so as to ensure smooth progress of the structural reform of government organizations slated for next year.

Fourth, we should improve office work style in a genuine sense. Governments at different levels should strive to improve themselves, enhance their awareness of openness and dedication to serve the people, and raise administrative quality. Government work should be evaluated on the basis of whether it helps to promote the reform and open policy and the expansion of the productive forces. Government functionaries should improve their work style and stress work efficiency and quality. We should also show concern for the livelihood of veteran cadres and bring into play their talent. Cadres at all levels must be honest in the execution of their official duties, and they must not abuse power for personal gains. It is necessary to strengthen the supervisory functions of supervision and auditing departments and reinforce administrative and legal discipline. Cadres who violate the law and discipline or are derelict in duty should be sternly dealt with.

9. Give Play to Socialist Democracy and Strengthen the Socialist Legal System

Governments at all levels should earnestly listen to the opinions and suggestions of the masses, properly handle their petitions and visits, and improve the system of consultation and dialogue. We should make government activities more open to the masses, keep them informed of important events, and let them discuss major issues. We should also step up contacts with the CPPCC, all democratic parties, people's mass organizations, and representatives from various circles of society, exchanging views and consulting on government work with them. We should also conscientiously accept the supervision of the people's congresses at different levels and their standing committees, and handle suggestions of the people's deputies and motions of CPPCC members with a profound sense of responsibility.

Socialist democracy requires the protection of a socialist legal system. The legal system should be constantly improved in the entire course of reform. We should continue education about the legal system in order to enhance the law-abiding sense among all cadres and citizens, especially leaders at various levels. Efforts should be made to accelerate the formulation of all kinds of locally drafted laws and statutes, as well as rules and regulations for meeting the needs of reform and opening. We must strive to build a contingent of law enforcement

officials and judicial personnel, put a stop to the non-observance and lax implementation of laws, ensure that lawbreakers are not allowed to go unpunished, and adamantly defend the principle that all are equal before the law. We must see to it that the judicial organs exercise their functions independently according to the law. We must crack down on all espionage and other activities hostile to the socialist system, and punish all criminal offenders and economic criminals according to the law. Comprehensive measures should be further taken to ensure public order, consolidate and develop social stability and unity, and ensure the smooth progress of the reform and open policy and economic construction.

10. Actively Develop All Social Undertakings and Promote the Building of Socialist Spiritual Civilization

We must bring into full play the role of such enterprises as culture, public health, sports, the press, publishing houses, broadcasting, cinema, and television in building socialist spiritual civilization. We must carry out the principle of "letting a hundred flowers blossom and a hundred schools of thought contend," encouraging a large number of writers and artists to create and perform more outstanding works reflecting the outlook of our times, and encouraging the vast number of theorists specializing in philosophy and other social sciences to face up to reality and boldly explore good ideas for Shanghai's revitalization and for the reform and open policy and economic construction. Newspapers, publishing houses, broadcasting, television, film production, and other mass media should play their part in the supervision of government work by public opinion. They should also intensify the publicity on the theory about China being in the initial stage of socialism and on the reform and open policy, in order to inspire the people to courageously forge ahead and make their share of contributions. We should successfully carry out the patriotic health campaign, and improve food hygiene and drinking water supply work in rural areas. We should pay close attention to mass sports activities. With the support of the whole society, we should concern ourselves with social welfare institutions, actively take part in blood donation, display a spirit of socialist humanitarianism, and attach importance to the affairs of the handicapped.

In the process of reform and opening to the outside world, we should also make sustained and protracted efforts to educate people in high ideals, moral integrity, general knowledge, and a sense of discipline. We should improve ideological and political work in order to foster sound professional ethics and public morality. We should constantly build up the capability of cadres and ordinary people alike, especially the masses of young people, to resist the corrosive influence of feudal and capitalist decadent ideas. We should transform outmoded habits and customs in rural and urban areas. We should crack down on feudal superstitious activities which disrupt public order and are damaging to the physical and mental health of our people, in accordance with the law.

We should continue to pay close attention to family planning work. In view of the peak period of births, we must strictly enforce the current family planning policy and promote good prenatal care, sound raising of children, and good education, so that Shanghai's population will not increase at an undue rate.

Fellow Deputies:

We are now carrying out a great undertaking of transforming and revitalizing Shanghai. In the transitional period from the old to new system, we have endured severe tests, accumulated useful experience, clearly defined the direction of Shanghai's development, and enhanced confidence in overcoming difficulties on our road of advance. However, due to the deep-rooted "leftist" practices and economic concepts formed under the old system over a long period of time, our primary task in the overall work for some time to come is still to get rid of ossified thinking. On our road of development with Shanghai's special characteristics, we must further emancipate the mind, dare to make exploration, and remove outdated concepts, methods, and conventions shackling our hands and feet in order to bring into full play Shanghai's advantages and achieve large economic growth.

We Should Firmly Foster a Concept on Developing the Productive Forces in Line With the Basic Tasks of Socialist Society

The basic task of socialist society is to develop the productive forces. The development of the productive forces should become the point of departure in our consideration of all problems and the criterion for judging all our work. Of all the factors for developing the productive forces, the human factor is the most vital one. In transforming and revitalizing Shanghai, which is an undertaking of all people of Shanghai, we should set our eyes on harnessing the people's enthusiasm and creativity and achieve unity in their thinking on the basis of developing the productive forces. We should resolutely do away with complacency, fear and resentment of difficulty, and conservative ideas, which are spiritual trammels hampering Shanghai's economic development. In view of the pressing situation of reform and development in the whole country, Shanghai must enliven its economy. The party Central Committee and the State Council support Shanghai's economic invigoration, as do the masses of residents in the municipality. The external conditions for Shanghai's development are also favorable for its economic invigoration. As an old Chinese saying puts it: "We shall be punished for failing to pick up a gift bestowed by Heaven." We must grasp the golden opportunity and concentrate efforts on developing the productive forces in order to promote Shanghai's economic work.

In View of the Challenge Confronting Shanghai, We Should Foster as Soon as Possible a Sense of Competition in Developing a Planned Commodity Economy

We are confronted with the outstanding problem of Shanghai's gradual diminishing edge in domestic economic development and growing gap with the world's advanced levels. Therefore, we must boldly take up the challenge and test our strength in the international market in terms of product quality, technical standards, production costs, and labor productivity. Comrades of the economic departments and entrepreneurs in Shanghai must go all out to compete in the international commodity economy market with broad vision and a realistic spirit, and strive to close the gap in all products and trades as soon as possible.

We Should Foster a Genuine Spirit of Working Hard To Revitalize Shanghai in Keeping With the Conditions in Shanghai

With the backward urban infrastructure and outdated technology in a fairly large number of enterprises, we are facing the urgent task of accelerating the construction in all fields under the stringent economic conditions. We should not expect that Shanghai's long-standing deficiencies will be remedied overnight. They can be improved step by step and only one at a time. In order to change the present situation in Shanghai, it is necessary to first develop production and tap more financial resources; second, to work hard and thriftily to build up the municipality; and third, to make leading cadres play an exemplary role. We should seek truth from facts, be realistic, throw away all impractical ideas, and work hard on a tight budget for several years so that the newly tapped financial resources can be used for economic development. The appearance of the city and the people's livelihood can be improved only after the economy is developed.

Fellow Deputies:

Shanghai today is at an important historical juncture. For a long time, Shanghai ranked top in many fields in China. However, we have been rather ineffective in shifting Shanghai's economy to the planned commodity economy, and we lack the lively pioneering and innovative spirit prevailing in many fraternal provinces and municipalities. We should modestly learn from them and listen to their criticisms and opinions about Shanghai. We must candidly admit, but never be reconciled to, our deficiencies. To revitalize Shanghai at this juncture requires high morale. We should not be apathetic, lying on our past glory. Neither should we blame others without working hard ourselves. Only when Shanghai can make new contributions to the state and the people can we proudly stand up in front of the people at home and abroad and have a clear conscience before our forefathers and the future generations. At this juncture, we especially need the support of all fellow deputies, assistance of the CPPCC members, and cooperation of

the people of all nationalities in Shanghai with the government in emancipating the mind, updating thinking, overcoming difficulties, and steadfastly advancing toward the set goals along the direction set by the 13th CPC National Congress. In the great historical march to rejuvenate the Chinese nation, we must write with our own hands new annals on the revitalization of Shanghai.

Shanghai Economic, Social Plan

*OW0206045688 Shanghai JIEFANG RIBAO in Chinese
3 May 88 p 3*

["Excerpts" of report on Shanghai's 1988 Economic and Social Development Plan Delivered by Vice Mayor Huang Ju at the First Session of the Ninth Shanghai Municipal People's Congress on 20 April]

[Text] Guided by the party Central Committee's principle of structural reform, opening to the outside world, and invigorating the domestic economy, Shanghai continued to strengthen enterprise reform and the campaign to increase production and practice economy and to increase revenues and retrench expenditures in 1987. As a result, its economy continued to develop steadily and in a balanced way, and the economic situation as a whole was satisfactory. In 1987, its principal targets were overfulfilled except revenue, which failed to reach the planned target due to price changes and policy readjustment. The municipality's gross product was 53 billion yuan, an increase of 8 percent over 1986, exceeding the planned growth of 5 percent. Of this, 15.4 billion yuan came from the tertiary industry, up 14 percent over 1986. The ratio of tertiary industrial income to the municipal gross product rose from 27.5 percent in 1986 to 29 percent in 1987. The municipality's total industrial output value amounted to 97.968 billion yuan, up 6.8 percent over 1986, exceeding the planned growth rate of 4 percent. Of this figure, light industrial output value accounted for 54.157 billion yuan, a 7.3 percent increase over 1986; output value of heavy industry was 43.811 billion yuan, up 6 percent over 1986. New advancement was made in transportation and posts and telecommunications services. In agricultural production, despite unfavorable weather conditions, fairly good harvests were reaped as a result of efforts to combat natural disasters. Total agricultural output value amounted to 2.48 billion yuan, up 2.3 percent over 1986. Total grain production reached 2.326 million metric tons, exceeding the planned quota by 326,000 metric tons; production of major nonstaple food increased by varying degrees over the previous year. Exports rose fairly quickly. Total annual export volume amounted to U.S.\$4.16 billion, an increase of 16.1 percent over the previous year. New progress was made in utilizing foreign capital. In 1987 foreign firms concluded 76 agreements of direct investment amounting to U.S.\$338 million, up 14 percent over the previous year. Substantial progress was made in preparation for the construction of the five infrastructural projects — construction of an intramunicipal wastewater treatment project, the first stage of a subway project, a bridge across the Huangpu River, 200,000

program-controlled telephones, and the expansion of the passenger lounge at the Hongqiao Airport — with foreign capital. Investment in fixed assets was brought under control. In 1987 the municipality's new capital construction projects declined by 37 percent over the previous year. Local capital construction investment which had to be approved by the state came to 2.65 billion yuan, well within the limit fixed by the state. The construction of some major municipal works proceeded rapidly. The construction of the 15 municipal projects which the municipal government determined at the beginning of this year to be closely related to the people's livelihood was basically completed. These projects have already begun to benefit society. The market was brisk, marked by the continuous increase in the sales of food, clothing, and other consumer goods. New advancement was made in science, education, culture, health, sports, and other undertakings. Amid economic development the income of staff members, workers, and peasants in the entire municipality continued to rise.

The aforementioned achievements and progress are the results of the arduous efforts of all the people in Shanghai in implementing the correct principles and policies laid down by the party Central Committee and the State Council. While reviewing the achievements, we must also clearly realize the existing problems and difficulties. The problems are: The local revenues have decreased. The situation in the shortage of supplies is becoming more and more serious in each passing day. The commodity prices have increased too rapidly. The living standards of some workers have lowered to a certain extent due to price increases. Hidden troubles have begun to show, affecting safety in the urban areas.

As for these problems, there are objective reasons with the new system replacing the old one. There are also subjective reasons caused by problems in our work. We have not emancipated our minds enough to meet the requirements in carrying out reform, and exerted enough efforts in studying the new situations and new problems. We are not so capable of dealing with all contingencies. In doing economic work, we have not paid enough attention to improving economic results. Either in production or in construction, we have paid little attention to practicing economy and improving quality. We are weak in doing management work, and the people we have hired are less qualified. Our essential rules and regulations are far from being perfect, and they are not being strictly implemented. All these problems must be solved in the course of doing our work.

This is a crucial year in implementing the Seventh 5-Year Plan. It is also the first year in which we start implementing the guidelines laid down in the "Report on Strengthening Reform, Opening Even Wider to the Outside World, and Quickening our Pace in Bringing about Changes to Promote the Export-Oriented Economy in Shanghai" which was approved and distributed

by the State Council. Although our tasks remain arduous, our whole economy is gradually improved. Especially, beginning this year, the state has created favorable conditions to help Shanghai develop its economy by implementing the responsibility system in carrying out financial and foreign trade tasks, and working out some supportive measures in this connection. The municipal CPC committee and the municipal government have decided that in doing economic work this year, Shanghai must closely follow the basic guideline set by the central authorities in stabilizing the economy, strengthening reform and letting reform play a dominant role overall work; further emancipate the mind in close connection with the actual conditions in the municipality; vigorously promote the export-oriented economy; carry out reforms well with the implementation of the responsibility system as the core; open even wider to the outside world; exploit Shanghai's advantage in terms of science and technology; continue to readjust the structure of production; enthusiastically increase investments for production; and concentrate all its efforts in developing the economy.

On the basis of the aforementioned requirements, the major targets for the 1988 Plan for Shanghai's Economic and Social Development are as follows:

Shanghai will strive to increase its gross production output by 6 percent over the 1987 figure with the output value of the tertiary industry increased by 10 percent. It will strive to increase its gross agricultural output by 2 percent over the 1987 figure. In industrial production, Shanghai is expected to overfulfill its total industrial output value by 4 percent over the 1987 figure, and work hard to exceed this percentage, while readjusting the product mix and raising production efficiency. In doing export business at ports used for exports, Shanghai is expected to increase its export volume by 3.7 percent over the 1987 figure. The municipality will strive to increase its volume of retail sales for 1988 by 17.3 percent over the 1987 figure. Receipts from local budgetary financial resources will come to 15.61 billion yuan. (15.3 billion yuan, if funds for construction of key energy and transport projects turned over to the local authorities are deduced) The income of Shanghai's rural and urban people is expected to increase over their 1987 figure after adjustment for the rise in the cost of living index.

To achieve these objectives, we must prefulfill the following major tasks of economic and social development in 1988.

(1) Concentrate on Industrial Production and Maintain a Certain Economic Growth Rate

The current slowdown in the development of Shanghai's local industries reflects, to a certain degree, that the city does not have adequate reserves for sustained industrial growth. In 1988, we must further readjust the industrial structure and intensify the integration of scientific

research and production. While emphasizing expanding export, introducing advanced international standards, and developing new products, we should pay close attention to research and development, technical renovations, and the introduction of foreign of technology and vigorously increase the production of readily marketable products to stimulate industrial development. First, efforts should be made to readjust the industrial structure and produce more readily marketable goods. Relevant departments must, while comprehensively carrying out the industrial production program, actively develop famous-brand, high-quality products and vigorously increase the production of goods which are in short supply, needed for export, creates great added value, and yield high profits and taxes. We must thoroughly attend to this work through organized and concerted efforts to ensure success. Second, intensify the integration of science and technology and production and accelerate the progress of industrial technology. 1) This year, we should concentrate on a number of projects which can "be quickly applied in production, are suited to the medium and small-sized enterprises, and yield quick economic returns" to earn more foreign exchange through export and increase our capacity for sustained industrial development. We should strive to complete and put into operation and first group of 203 projects this and next year and start preparations for the second group of projects. 2) We must pay close attention to the development and production of new products; popularize such new technologies as powder electrostatic spray, the use of rare-earth, and economic use of industrial water; and transform traditional industries through the application of microcomputers. 3) We should do a good job in mastering and assimilating imported technologies. We should organize the strength of various quarters to accelerate the mastery and assimilation of some selected key products with great potential for development such as Santana limousines, color televisions, program-controlled telephones, and complete sets of equipment; concentrate on developing and applying imported technology at home; and expand our mass production capacity. 4) We should implement well a number of key projects involving high-tech new industries. Third, develop rural enterprises. Shanghai's rural industry enjoys exceptional advantages and has a vast field for development. It is necessary to vigorously promote cooperation with larger enterprises and organize production according to the requirements of coordination among specialized departments. Efforts should be made to strengthen cooperation with scientific research departments, spread technology in the countryside, and actively apply science and technology to improve the competitiveness of our products. It is necessary to energetically develop processing and assembling with materials and specifications provided by foreign firms as well as compensation trade and increase foreign exchange earnings through export.

(2) Keep the Scale of Capital Construction Under Control, Give Top Priority to Productive Investment, and Speed Up the Construction of Key Projects

Under the precondition of keeping the scale under control, the city's 1988 fixed assets investment plan calls for: 1) increasing investment in productive projects and

supporting a number of medium and small-sized projects which can be completed in a relatively short time and yield quick returns; 2) properly increasing agricultural input, developing nonstaple foodstuffs production bases, and stabilizing investment in scientific research, culture, education, and public health; 3) giving top priority to key productive projects, the completion and operation of such projects, and support projects; 4) restricting nonproductive projects and tightening control on the construction of office buildings, auditoriums, and hotels and new projects. Among the key projects in this year's plan are: in the power industry, two 300,000-kw generating sets of the Shikoudong Power Station and the No 2 Shikoudong Power Station; in productive construction, a 300,000-metric tons ethylene project, the Shanghai Color Television Kinescope Plant, the Caohejing microelectron industrial zone, the improvement of the 300,000-metric ton synthetic ammonia project at the Wujing Chemical Plant, and transformation of the machine tool industry; in municipal construction, the second phase construction of the Pudong Gas plant, sewage treatment plants in Zhoupu and Nanqiao, the Chongming passenger and vehicle ferry project, the expansion of Youdun port, and the first-phase project of the Taopu Industrial Zone. In addition, we must attend to removing the hidden perils posed by some unsafe urban projects.

(3) Open the Door Still Wider, speed Up the Utilization of Foreign Capital, Strive to Increase Export and Earn More Foreign Exchange, and Exert All-Out Efforts To Speed Up the Process of Developing an Export-Oriented Economy This Year.

First, beef up the reserve force of light industrial and textile exports, vigorously develop the suburban counties' export capability, strive to increase export and earn more foreign exchange.

Currently, light industrial and textile products account for 70 percent of Shanghai's total export, and they will remain the mainstay of export for sometime in the future. Therefore, to expand export, increase foreign exchange earnings, and beef up the reserve strength of light industrial and textile export, we must keep this objective reality in mind, increase investment in the light industrial and textile departments, absorb advanced technology, and renovate the existing old enterprises. We must also further readjust the products structure, speed up the upgrading of products, and strengthen our light industrial and textile products' competitiveness on the world market. Expanding the export of machinery and electric products is of great significance to upgrading Shanghai's export structure, increasing export and foreign exchange earnings, and revitalizing Shanghai's machine building and electric industries. We must selectively and gradually develop products to replace imports, thereby laying a firm foundation for the production, upgrading, and export of machinery and electric products.

Second, speed up the utilization of foreign capital, and pioneer new ways in further opening to the outside world.

Shanghai has made a good beginning in utilizing foreign capital. This year, we must further emancipate our minds, continue to improve our environment of investment, make flexible and optimum use of the preferential policy for foreign capital, attract more foreign investments, and expand the participation of foreign capital in joint ventures. Conforming to international practices, we must perfect laws and regulations, improve efficiency, and simplify procedures in handling foreign investments. The development of the "three types of joint ventures" must be integrated with the renovation of old enterprises. The emphasis should be placed on the development of top grade light industrial and textile products, new-model machinery and electric products, precision electronic instruments and meters, and other such sophisticated products, thereby speeding up the process of upgrading. Fund raising for the five urban capital construction projects to speed up the utilization of foreign capital should be expedited so that these projects can be started this year.

Third, strengthen the integration of industry and technology with trade, and expand the enterprises' power of export.

Currently, 17 export enterprises and joint companies, including manufacturers of clocks, watches, bicycles, and other products have already been approved to have their own power of import and export. More enterprises will be given this same power this year when their conditions are considered ripe. With a few years' effort, we expect to set up in Shanghai a number of relatively competitive export-oriented enterprises and group enterprises. At the same time, the scientific research and production departments must also actively participate in technological export.

(4) Attach Importance to Developing Science, Technology, and Education

To meet the strategic requirement of the coastal region's economic development, the emphasis of this year's scientific and technological work should be laid on the development of an export-oriented economy. This calls for bringing Shanghai's strong point, namely, its solid and comprehensive technological departments, into full play. On the one hand, we must shoulder the task of research and development in space, laser, biological, and other high-tech fields. On the other, we must vigorously spread and rapidly translate into production those research achievements that can yield quick, high economic returns. We must particularly support those export-oriented and exchange-earning industries, domestic production of items to replace imports, and the implementation of "spark plans" that are closely linked to agricultural and sideline production. We must undertake to transform the traditional industries and enhance

the technological level of village and town enterprises. We must continue the reform of the scientific and technological system, expand technological and market consultative services, widely promote lateral cooperation, experiment with the contract system, raise funds by various means and channels, enhance the vitality of the scientific research departments, arouse the enthusiasm of the scientific and technological personnel, and urge them to make more contributions in revitalizing Shanghai.

We must vigorously develop various branches of education, carry out educational reform, and raise the quality of education. We must further reinforce basic education, increase the educational budget, substantially improve the conditions for running middle and elementary schools, accelerate the realization of the system of 9-year compulsory education. In addition, we must step up the transformation of alley elementary schools and old school buildings and solve the contradiction caused by overenrollment. We must continue to appropriately readjust the structure of secondary education, develop various forms of vocational and technical schools, and bring up first-line technical managerial personnel by emphasizing training before and after taking up a job. In order to steadily develop higher education, we must control its scale, readjust the structure of specialized schools, and run some major branches of science well. In addition, we must also strengthen ties between schools and society and continue to reform the methods of distributing newly enrolled students and graduates.

(5) Vigorously Increase Production of Agricultural and Sideline Products, Make Appropriate Arrangements with regard to Market Supply

In 1988 we must strive to increase agricultural and sideline production. This means while stabilizing the sown acreage for grain, cotton, and other oil-bearing crops, we must also emphasize the production of non-staple food. In order to establish permanently stable nonstaple food producing bases, we must increase investment for this purpose by raising or borrowing funds. This will enable us to build or expand by stage or by group our nonstaple food producing bases and to develop the nonstaple food industry. We must draw up a policy that will enhance peasants' initiative in growing nonstaple food, strive to run state and collective hog-raising and chicken-raising farms well, and attach importance to scattered household production by giving assistance to households specializing in hog-raising or poultry-raising. We must have measures for the production of vegetables during slack seasons in summer and winter. Besides, we must solve the question of vegetable storage. In the next 3 years we must strive to raise the rate of pig, poultry, and egg self-sufficiency and increase the market supply of milk, vegetables, and aquatic products to stabilize market supply in the municipality. At the same time, the industrial sector should increase its support for agriculture by increasing production and

supply of the means of agricultural production such as chemical fertilizer, farm insecticide, diesel oil, and plastic sheet for agricultural use.

While ensuring sufficient supply of agricultural and sideline products, we must also ensure supply of industrial consumer goods. Industrial departments should strive to substantially increase production and supply of consumer goods for daily use. Industrial and commercial departments should coordinate in working an over-all plan to ensure market supply in the municipality. Commercial departments should strive to enrich the market by expanding cooperation with other areas and to import goods from other areas so as to promote the flow of commodities. At the same time, we must tighten market control. While we should enliven both wholesale and retail sale, we must not let mistakes in this connection grow unchecked. That means we must crack down on illegal activities aimed at disrupting the market.

A commodity economy and the law of value require that we must maintain a general price level while doing away with irrational prices to stimulate industrial and agricultural production and improve market supply. We must ban indiscriminate price rises while reforming the irrational pricing system. In accordance with the State Council circular, staff members and workers in the municipality will be given appropriate subsidies to compensate them for their nonstaple food expenses should there be a change in the price of nonstaple food. Meanwhile, after enterprises introduced the contract system of delivering a base figure of revenues to the state, we must see to it that wage increases for staff members and workers of enterprises must not exceed the increase of national income and labor productivity to prevent the indiscriminate distribution of bonuses and the excessive growth of consumption funds and also not to aggravate the imbalance between supply and demand.

(6) Ensure the Completion of the Nine Projects That Concern the People's Standard of Living

1) We will speed up the completion of supporting projects for small residential areas under construction and strive to complete 15 municipal-built and public-built neighborhoods with good facilities before the end of this year; we will complete the construction of housing with a total floor space of 3.75 million square meters and complete public-built supporting facilities with a floor space of 250,000 square meters in the municipality (including towns in the suburban areas), and fulfill the task of helping families living in houses with a floor space of less than 2 square meters per person (this only applies to families rated as notably wanting families before the end of 1986. 2) We will strive to open the Yanan East Road tunnel to traffic on a trial basis and at the same time complete the transformation of fast lanes on a section of Yanan East Road and on Lujiazui Road; we will strive to open the Hujia Highway to traffic, open up the Lingshi Road and expand part of the Hutai Road, build and transform three passenger ferries, expand

three ferry roads, and improve safety facilities at some ferry stations in the center of the municipality. 3) We will do more to prevent too many trucks from entering the municipality's downtown areas and readjust out-going bus routes in order to reduce traffic congestion in the central areas of the municipality; we will open or extend six bus routes to solve the problem of riding congested buses by people living in residential areas and new villages in the outskirts of the municipality. 4) We will make proper arrangement regarding the production of nonstaple food and markey supply, set aside a 5,000-mu area for growing vegetables in greenhouses during slack season, build a new vegetable wholesale market, and fully make use of cold-air storage to improve vegetable supply during slack seasons; we will build a 10,000-head pig raising farm and two large egg-chicken farms, and increase the daily supply of fresh milk by 10,000 bottles to reach 1.4 million bottles. 5) We will build a coal gas storage, complete the laying of a medium-pressure coal gas pipe, increase the number of coal gas using civilian households by 70,000 households, and increase the number of liquified gas using households by 15,000. 6) We will take measures to reduce the amount of pollutants released by eight factories in the upper reaches of Huangpu Jiang so as to improve the quality of water at water intake gates along the river, complete the removal of 10 factories and workshops causing serious environmental pollution, and complete the building of 15 quiet zones. 7) We will increase telephone switchboards by 70,000 sets and telephones by 30,000 sets and improve the pressure of electricity for residents in 149 neighborhoods. 8) We will do everything possible to create favorable conditions for enrolling 53,000 new elementary pupils in city proper. 9) We will complete the construction of a warehouse for the Shanghai Library, of the Quyang Cultural Hall, and the Wanping Theater.

The 1988 development plan has been arranged in accordance with the requirements of development and reform. It is a positive plan, with plenty of leeway to fall back on. If everyone works hard, it can be fulfilled or even overfulfilled. Completely realizing the targets and tasks mapped out in the plan lies in strengthening reform and further opening up to the outside world. We must organize the masses to continue the campaign to increase production and practice economy and to increase revenues and retrench expenditures; raise money to secure raw materials to support the development of production and construction; strive to achieve a balance in foreign exchange and credit so as to promote economic growth; and go all-out to spread the contract managerial responsibility system to invigorate enterprises, particularly large and medium-sized enterprises. As the the current domestic and international situation is conducive to our economic development, we must, from top to bottom, strive our best to stimulate economic growth, make good use of Shanghai's fairly strong scientific and technological force, spread the various forms of the contract managerial responsibility, vigorously develop an export-oriented economy, carry out the policies, principles, and measures drawn up by the party Central Committee and

the State Council, and work industriously to fulfill our tasks well. If we do this, we will certainly fulfill or even overfulfill the targets set forth in the 1988 plan.

FINANCE, BANKING

Central Bank Governor Li Warns Money Supply 'Growing Too Fast'

OW2705233488 Beijing XINHUA in English
1148 GMT 27 May 88

[Text] Beijing, May 27 (XINHUA) — The Governor of the Central Bank, Li Guixian, warned today that the money supply is growing too fast and warned Chinese banks to be aware of this trend.

The currency circulating in the economy grew by 4.254 billion yuan between January 1 and May 23, according to Li Guixian, governor of the People's Bank of China. This is the first time this has happened in the first half of the year since 1961, Li said.

"With the development of a planned commodity economy, it has been necessary to increase the money supply in recent years, but there must be a limit," Li told a banking meeting which opened today. "Banks are confronted with a severe situation, and a tight policy must be followed," Li said.

Normally, the amount of money in circulation drops during the first half of the year. The governor, who is also a state councillor, said that there are three reasons that may explain why the currency has increased.

First, the state has bought more farm produce, such as grain, and "increased foreign exchange and gold reserves". Secondly, the growth rate first 4 months dropped because people were spending more as a result of price rises in consumer goods and rural production materials.

Thirdly, consumption funds have increased substantially. In addition, banks have been lending more than in the past few years.

While the total loans and money supply should be strictly controlled, sufficient funds should be given to support normal production and circulation, he said.

Banks are experiencing problems because they face conflicting forces. On the one hand, circulation has been slow, and on the other hand, there has been a demand for more money. This shows that the problem is not only with the amount of money in circulation, but to make better use of the funds, Li said.

Li Expresses Concerns About Scale, Proportion of Foreign Borrowing

HK0206114988 Beijing CEI DATABASE in English
1 Jun 88

[Text] Beijing (CEI)—Governor of China Investment Bank Lu Xianin warned recently that China should reduce the scale and proportion of its foreign borrowing.

Because of China's special conditions, it should not copy other countries' experience and standards in this respect, he added.

China should make an earnest analysis of its borrowing capacity, leave ample leeway and strengthen macroeconomic control when borrowing from other countries, he stressed. It is important to take into consideration its own conditions, the changes in foreign exchange rates and other unforeseen factors on the international money market, he said.

Major Cities To Open Treasury Bond Markets

OW0106180188 Beijing XINHUA in English
0938 GMT 31 May 88

[Text] Beijing, May 31 (XINHUA) — Another 54 cities in China have been granted permission to open treasury bond markets in June, according to an official of the People's Bank of China.

The decision, which follows the introduction of such markets in seven major cities a month ago, means that all of China's provincial capitals and municipalities, except Lhasa in Tibet, will have treasury bond markets of their own.

China began to issue treasury bonds to enterprises and individuals in 1982. Altogether, 35.4 billion yuan worth of bonds were sold by 1987.

The Government decided to allow seven major cities, including Shanghai, Harbin, Shenyang, Guangzhou, Shenzhen, Chongqing, and Wuhan, to set up treasury bond markets a month ago. But only those issued to individuals in 1985 and 1986 can be dealt.

By May 27 of this year, the value of the bonds purchased on the markets amounted to 217.416 million yuan, while the value of those sold came to 57.3318 million yuan.

Development Bank To Replace Current 'Monopoly'

HK0306004288 Beijing CHINA DAILY in English
3 Jun 88 p 2

[By staff reporter Dai Beihua]

[Text] A development bank to break the current banking monopoly will open later this year in Guangdong Province, one of the pioneers in China's financial reforms.

Guangdong Development Bank, a shareholder-funded bank with investment from the Bank of China Group in Hong Kong, is being prepared, Jin Weicheng, president of Guangdong Provincial Branch, the People's Bank of China, told CHINA DAILY in Beijing.

The shareholders now include the Industrial and Commercial Bank of China, the Agricultural Bank of China, Guangdong Provincial International Trust and Investment Corporation and Guangdong Provincial Financial Development Company.

A regulation has been worked out for the bank, and the investment and money paid for shares will be collected and a leadership will be established soon.

With a total capital of 600 million yuan, the development bank will act as a regional shareholding commercial bank and engage in renminbi and foreign currency savings and settlements, Jin said.

But, at first, the bank will only engage in the business of short-term commercial loans which may help it to make more profits and gain more capital for development.

Guangdong, the first province to open to foreign businesses, has 5,100 foreign investment ventures, about half of the country's total. Its exports reached \$5.5 billion last year, the highest of any province. In the past few years, an increasing number of foreign banks have opened offices in Guangdong, an area with fast economic development.

By the end of last month, there were 22 offices representing banks from Japan, the United States, Britain and France. Many of the banks intend to set up branches or joint venture banks in the province.

The setting up of the development bank is another step in the introduction of foreign banking into the Chinese financial system Jin said. Although the development bank will only be funded from Hong Kong, it is an experiment in financial reform.

"Guangdong will be glad to allow one or two Hong Kong banks to open branches in the province as an experiment to absorb advanced banking administration and funds and introduce competition among banks," Jin said.

Then the province will consider the requests by some Japanese banks to open branches there. The branches will not only open in Guangzhou City, but also the cities of Fuoshan, Zhanjiang and Jiangmen.

At present, Jin said, some people in the banks still hesitate about the introduction of foreign banking systems into China.

But Jin said he thinks that competition is good for China's financial development. In competition, China's banks will overcome their shortcomings and foreign

banks will benefit. Because of the different systems in the Chinese and foreign banks, China may take measures to limit the business scope for foreign banks.

However, it will take time to make a final decision on allowing foreigners to open banks in China, Jin said. The decision will be made by the top leadership of the People's Bank of China in Beijing, he added.

In the past few years, Guangdong Branch of the People's Bank of China has made efforts to improve business. It has issued some 1 billion yuan in enterprises bonds to support production.

This year, the bank will try to set up an information centre, introduce computer systems and extend more short-term loans.

First Computer Finance Company Founded *HK0206114788 Beijing CEI DATABASE in English* 1 Jun 88

[Text] Beijing (CEI)—The first finance company of China's computer industry, China Great Wall Finance Company, opened business in Beijing recently.

The company has a registered capital of 50 million yuan RMB and 5 million U.S. dollars.

It deals in both renminbi and foreign exchange, including deposits and trust deposits, loans and trust loans, investment and trust investment, buying and selling stocks and bonds on clients' behalf, leasing, releasing, consultation and guarantee.

MINERAL RESOURCES

Non-Metal Resources Reserves Detailed *HK0606135988 Beijing CEI Database in English* 6 Jun 88

[Text] Beijing (CEI)—About 676 nonmetal deposits have been discovered in China in recent years.

The deposits are mostly found in Guangdong, Fujian, Jilin, Gansu, Jiangsu, Anhui, Jiangxi and Hunan provinces.

Officials from the Ministry of Geology and Mineral Resources said that many local governments and industrial departments are making plans for mining the sites from 1991 to 1995.

It is estimated that some of the deposits will satisfy the nation's nonmetal needs for economic construction until 1995 or beyond.

Zhu Xun, head of the Ministry of Geology and Mineral Resources, recently outlined a 12-year strategic plan for the verification and exploitation of the country's non-metal resources.

COMMERCE

'Brisk Production,' Good Sales of Locally-Made Automobiles

*HK0206051888 Beijing RENMIN RIBAO in Chinese
25 May 88 p 2*

[Dispatch by reporter Zhao Zhiwen (6392 1807 2429):
"China-Made Automobiles Sell Well in 1st Quarter"]

[Text] The 1st quarter of this year saw a good momentum for China-made automobiles with brisk production and sales as well as a decline in stocks. According to the statistics of 70 major automobile factories, a total of 125,300 automobiles were produced in the 1st quarter of this year, an increase of 41.9 percent compared with the corresponding period last year. A total of 121,100 automobiles of all types were sold, an increase of 29.6 percent compared with the corresponding period last year. Automobiles in stock by end-March totalled 24,000, dropping by 19.7 percent compared with the corresponding period last year.

The reasons for the improving situation in the sale and production of automobiles in the first quarter are: First, the steady growth of the national economy which, in terms of gross value of industrial output, increased by 16.7 percent as compared with the corresponding period of last year. According to statistics, for every 10 billion yuan increase in gross value of industrial output, there was an increase of 35,000 automobiles. Second, customers had more faith in China-made automobiles which had better quality and a more reasonable price after the responsibility system had been widely introduced. Judging from sales, medium-sized trucks of high quality and famous brands will keep on selling well, light trucks will remain the most popular vehicles, and demand for cars and jeeps will outstrip supply.

FOREIGN TRADE, INVESTMENT

Symposium Speech on Economic Relations With U.S.

*40060245 Shanghai SHIJIE JINGJI DAOBAO in
Chinese 11 Apr 88 p 13*

["Abridged version" of speech by Wang Xi (3076 3556) and Chen Yawen (7115 0068 3306) of the PRC at an international symposium on the present and future of Sino-U.S. economic relations: "The U.S. 'Comprehensive Long-Range Strategy Commission' Has Submitted a Research Report to President Reagan, Predicting That China's GNP in 2010 Will Rank 2d in the World, Next Only to That of the U.S.; in Which Case a Significant Breakthrough Will Have To Be Made in Sino-U.S. Economic Relations"]

[Text] Since the institution of the historic Sino-U.S. dialogue in 1972, Sino-U.S. trade has made a breakthrough from nothing to rapid growth. The volume of Sino-U.S. trade reached \$8.7 billion in 1987, and the

United States has become one of China's most important trading partners. In order to better promote the growth of bilateral trade, China and the United States will have to take the following steps.

1. Expand Their Understanding of Each Other's Markets

Since China and the United States underwent a long period of trade isolation and have different social and economic systems and psychological and cultural backgrounds, they do things quite differently in many areas. In order for PRC and U.S. enterprises to successfully sell their products on each other's markets, they must be familiar with and understand each other's business practices, domestic markets, and sales channels. Training qualified foreign trade personnel will also be a task of top priority for China.

2. Make Their Merchandise More Competitive on Each Other's Markets

Both China and the United States will have to make their merchandise more competitive on each other's markets. Much of China's merchandise can not compete on U.S. markets with South Korean or Taiwanese products. Some U.S. merchandise (especially automobiles and household appliances) also cannot compete with Japanese products on China's markets. China and the United States should both improve their merchandise quality, prices, and adaptability to each other's national conditions. Thus, both China and the United States will only be able to become more competitive on international markets by making basic improvements in the quality of their merchandise.

3. Give Bilateral and Multilateral Assistance on Favorable Terms

China has applied for reinstatement to its seat in the General Agreement on Tariffs and Trade (GATT) and has also joined organizations, such as the International Monetary Fund, the World Bank, the Asian Bank, and the Paris Convention. The United States plays an important role in these organizations, and China's participation in them will help to further improve its links to the United States and the international economic community. China hopes that the United States will be able to give bilateral and multilateral assistance to help in China's modernization.

4. Develop Diversified Forms of Economic Cooperation and Improve Official and Nongovernmental Trade Relations

China and the United States have engaged in diversified forms of economic cooperation and acquired a certain amount of experience in areas such as processing trade, compensation trade, reciprocal investment, technology transfer, and labor cooperation. Both China and the United States will be able to continue to use these forms to speed up the pace of their trade and investment. In

fact, U.S. investment in China has grown quite remarkably in the past few years and, moreover, the growth momentum is still continuing to develop.

China and the United States have set up three coordination committees at the ministerial level. Organizations, such as the China Council for the Promotion of International Trade and the U.S. Trade Development Office, have also done much highly effective work to promote Sino-U.S. trade. These organizations should continue to be used to expand contacts and understanding between China and U.S. enterprises.

The U.S. "Comprehensive Long-Range Strategy Commission" recently submitted a research report to President Reagan, predicting that by 2010 China's GNP will have surpassed that of Japan and rank 2d in the world, next only to that of the United States. Although controversy still exists over this report's calculation methodology, and although data that is predicted two decades in advance is still waiting to be confirmed by practical developments, this prediction still represents a survey of a trend. In which case, a greater breakthrough will have to be made in Sino-U.S. economic relations. We think that both China and the United States have placed their hopes on the arrival of this period, but that the people of both countries will still have to develop and strive to speed it up. The road may be rough, but the prospects are optimistic.

12267/09599

Japan's 'New Aid Plan' Presents New Opportunity for Economic Cooperation
40060235 Shanghai SHIJIE JINGJI DAOBAO in Chinese 18 Apr 88 p 5

[Article by Han Huiyuan [7281 0565 3293]: "An Historic Opportunity to Leap to a New Stage of Sino-Japanese Economic Cooperation; On the Similarities Between Japan's "New Aid Plan" and China's Development Strategy for the Coastal Regions"]

[Text] A new wave seems to have been formed by the strategic planning recently carried out by various countries in response to changes in the world economy. In the Western Pacific region, the "New Aid Plan" proposed by Japan and the coastal development strategy proposed by China are even more spectacular. It is now recognized that the corresponding features of these two strategic plans offer a rare opportunity for a leap to a new stage in Asian-Pacific economic cooperation, and especially in Sino-Japanese economic cooperation.

Japan's Plans a New Strategy for Increasing Foreign Economic Relations

In Japan during the past year, the discussion set off by the issue of economic cooperation between Japan and the developing countries of the Asia-Pacific region has not only appeared frequently in the press, but has also

become an important topic in meetings of the Japanese Cabinet and an important topic on the agenda of certain economic organizations with political clout.

In January 1987, Japan's Ministry of International Trade and Industry (MITI) proposed the "New Aid Plan," the purport of which was to establish a "created international division of labor system" and carry on a "three-in-one" (aid, trade, direct investment) comprehensive plan for economic cooperation with developing countries of Asia. In May 1987, the Japanese Cabinet decided to adopt "emergency economic countermeasures," one of the main points of which was that Japan seek to "make a contribution to the international society." Subsequently, former Japanese Foreign Minister Saburo Okita proposed a "fund recycling plan" (the Okita Plan); Keidanren (the Japan Federation of Economic Organizations) proposed "engaging in diversified economic cooperation according to the differing needs of developing countries"; the Japan Committee for Economic Development proposed "revising the system of economic cooperation between agencies, and establishing a Ministry of Economic Cooperation, with a minister of economic cooperation"; Saburo Okita and others proposed implementing "economic policy assistance-type" economic cooperation which would support the economic structural adjustment of developing countries; and the National Institute For Research Advancement predicts in its recently-published book, JAPAN'S TASKS IN THE 1990'S, that in the 1990's economic cooperation between Japan and developing countries will be transformed from its previous aid-centered doctrine to the practice of comprehensive, dynamic, diversified economic cooperation.

An important message in these plans, proposals, and predictions is that Japan is seeking a new strategy for its foreign economic relations—in response to the various changes in the world economy (including economic friction between Japan and the United States and the high yen which resulted from this, the rise of Japan's international economic status and the adjustments in its domestic industrial structure, the industrialization of the NIC's and other Asian nations). Japan is creating a new system of international division of labor advantageous to Japan's economic structural adjustments, and is pursuing comprehensive economic cooperation with the developing countries of Asia.

The Main Points and Policy Goals of Japan's "New Aid Plan"

The main points are that, as the 21st century approaches, Japan will establish a "created international division-of-labor system" (a multifaceted, multilevel, dynamic international division-of-labor system that includes trade, capital, and technology exchange) and will engage in a "three-in-one" economic cooperation, consisting of aid, trade, and direct investment, with the developing countries of Asia. This plan has four major goals:

1. To help developing countries in Asia establish export-oriented (or foreign exchange-generating) industries;
2. To promote direct investment in these countries;

3. To establish supporting industries in these countries consisting primarily of small- and medium-size enterprises;

4. To improve infrastructure that facilitates technology transfer.

Japan will use various forms of economic cooperation in order to achieve the above-stated goals. This means not only strengthening the previously-used "three-in-one" form of cooperation at the government level which consisted of reimbursed aid, non-reimbursable aid, and technical cooperation, but also strengthening the "three-in-one" form of cooperation with the private sector which consists of direct investment, trade, and government aid. The specific measures essentially are:

1. Improving the infrastructure supporting export-oriented industries in the developing countries. Japan will not only use loans in yen to construct industrial complexes, harbors, bays, airports, roads, and the like, but will also use nonreimbursable aid to establish facilities such as experimental centers, thereby directly using financial aid to construct export-oriented industrial bases.

2. Engaging in comprehensive technical cooperation with developing countries to establish export-oriented industries; specifically this would include such things as establishing training centers and sending specialists.

3. Establishing an "investment and financing system" for local enterprises and joint ventures participated in by the Japanese. The principal method to implement this is to use a "two-step investment" through "two-step loans." The Japan Overseas Economic Cooperation Fund (OECF) first gives loans to the developing country's financial institutions in charge of development. These financial institutions in turn give loans to export-oriented enterprises or joint ventures. Japan's related ministries and agencies are currently making the necessary adjustments to establish such an investment and financing system.

Japan's "New Aid Plan" is already being implemented. For example, Japan has already made the development of Thailand's east coast and the establishment of export-oriented industries the main objective of cooperation with Thailand in the near future. The main objective of Japan's cooperation with China is to improve the ability of China's export industries to earn foreign exchange, and conducted initial studies into such projects as the establishment of a Qingdao export processing base, expansion of the overall export model, and construction of factories solely dedicated to the manufacture of exports.

In the area of direct investment in Asia's developing countries, Japan is currently looking into establishing such organizations as a "direct investment insurance

fund," a "small and medium-size enterprise development fund," and a "private-sector foreign business cooperation group" (a second JICA). There has even been a proposal to collect an "international economic cooperation tax" in Japan in order to increase government development aid and establish a direct investment insurance fund.

In the area of expanding imports from Asia's developing countries, in addition to the Japanese government's promise to gradually relax import restrictions, Japanese businesses, forced by the rising value of the yen, are rapidly moving in the direction of "on-site production" overseas, and reselling in Japan a portion of the products of Japanese wholly-owned enterprises and joint ventures located in Asian developing countries, thereby increasing the possibility of Japanese cooperation with Asian developing countries in the area of trade.

Identical Points of the Two Countries' Strategies

We can see that China's coastal economic development strategy coincides (or is basically in agreement) with the goals of Japan's New Aid Plan, at least with respect to the following points:

1. Viewed broadly, both countries seek comprehensive economic cooperation with foreign countries.

2. In Sino-Japanese economic cooperation, both parties concentrate on economic cooperation at the substructure level—on cooperating via division of labor in production and trade determined by comparative advantage.

3. Japan's goal of establishing export-oriented industry in developing countries coincides with the goal of China's export-oriented coastal development strategy.

4. Japan's goal of expanding direct investment coincides with China's goal of devoting major efforts to attracting direct investment.

5. The Japanese government's goal of expanding imports and Japanese businesses' goal of expanding overseas production coincides with China's goal of "beginning and ending the trade process overseas by importing and exporting."

6. Japan's role of giving full play to the role of private enterprises, and particularly small and medium-size enterprises in economic cooperation coincides with China's goal of giving full play to the role of town and township enterprises.

However, one must realize that the several points of similarity between Japan's "New Aid Plan" and China's coastal economic development strategy merely provides

an opportunity for China to realize its economic development strategy and for Sino-Japanese economic cooperation to leap to a new stage. The difficulty stems from the contradictions and conflicts encountered when implementing the plan and strategy. Both sides will face competition from other Asian developing countries, especially the NIC's and the nations of SEATO.

We must therefore seize this historic opportunity, and consider how we should respond.

13387/09599

Discussion on Country's Use of Official Foreign Loans

40060250 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 1, 30 Jan 88 pp 51-53, 59

[Article by Chen Kongming [7115 1313 2494]: "Use of Foreign Government Loans: Retrospect and Prospects"]

[Text] Since the Third Plenum of the 11th Party Central Committee, China's use of foreign government loans has produced good results. Up to the end of November 1987, foreign governments have committed to provide us with loans worth about \$10 billion. Loan agreements already signed are worth \$7.2 billion, and \$4.9 billion have already been put to use in 186 projects. On 23 November 1979 Belgium was the first to agree to grant us official loans, followed by the Japanese on 7 December of the same year. To date 18 nations have granted us low-interest concessionary loans. They include Belgium, Japan, Denmark, Sweden, Kuwait, Italy, Switzerland, Australia, Austria, the Federated Republic of Germany, Spain, Great Britain, France, Norway, Finland, Canada, Holland, and Luxembourg. In addition, the Soviet Union is also considering similar loans.

Foreign government loans are long-term concessionary loans which are part foreign aid. Some are no-interest and others are low-interest loans. The annual interest rate is usually only 2 to 3 percent. The average loan term ranges from 20 to 30 years; some may be as long as 50 years, and they carry a 10 year grace period whereby only interest payments are required. About 30 percent of these loans are gratuitous.

Foreign Government Loans and Conditions

Country	Annual Interest (%)	Loan Term (Year)	Grace Period (year)	Notes
Japan	3 - 3.5	30	10	-
Belgium	0	30	10	30% of the contracted amount is soft loan, and 70% is in the form of seller's credit.
Denmark	0	35	10	45% soft loan and 55% export credit.
Italy	1.5	20	10	partly as a gift; or 40% soft loan and 60% export credit.
Kuwait	1.5 - 5.5	18 - 20	3 - 5	interest rate varies with different loans.
Sweden	0 - 3	6 - 10	*	*** denotes grace period while project under construction.
Finland	0.75	25	7	about 40% soft loan and 60% seller's credit.
Australia	gratuitous	-	-	composit loans; 25% in the form of a grant and 75% in export credit.
Federated Republic of Germany	2	30	10	-
Switzerland	0	20	10	15% of contracted amount paid in spot exchange. 50% of the balance is soft loan, and 50% is syndicated loan.
Norway	0	6	*	15% of contracted amount paid in spot exchange, and *** denotes grace period while project under construction.
Spain	2	30	10	30-40% soft loan and 60-70% export credit.
Austria	4.5*	20	2	commingled soft and hard loans. *** denotes composite interest rate.
Great Britain	5*	20	5 - 7	same as above
France	2.5	30	10	35-40% soft loan and 60-65% export credit.
Canada	0	50	10	30% soft loan and 70 percent export credit.
Holland	3	20	7	15% deposit on the contracted amount (spot exchange.)
Luxembourg	0.25	30	10	40% soft loan and 60% export credit

Foreign funds accelerate significantly the realization of China's socialist four modernizations. If we had to depend on our own fund accumulations and our own science and technologies to develop the necessary and advanced technical facilities, it would delay our four modernizations. Therefore, when we borrow foreign funds, in fact, we are borrowing money to buy time and speed; we can have our pie and eat it too. In the past several years, the use of foreign government loans has accelerated our economic and cultural constructions. In particular, it has helped us make up for fund shortages in some areas, and brought in advanced and necessary equipment to accelerate technological transformations in the small and mid-sized enterprises, and expedited the restructuring of the economic system and the readjustment of the enterprise structure. Specific results are as follows:

Foreign government loans have expedited the exploration of China's energy resources. According to the relevant government departments, the country was operating at 30 percent below its industrial production capability because of shortages in coal, oil, and electricity. Shortage of energy resources was most acute in the countryside. In recent years, we have used the official foreign loans to build the Tianshengqiao Hydropower Station and other projects to increase power generating capacity by approximately 5 million kilowatts, capable of supplying an additional 20 billion kilowatt-hour of electricity per year. Also, we are now able to increase raw coal production by 44 million tons per year. As for petroleum, foreign loans sustain production in the North China and Shengli Oil Fields, and fund new oil field facilities to increase production. Foreign government loans have contributed to the easing of China's acute energy shortage problem.

Foreign government loans have improved China's transportation and communication projects. Such loans were used to build Shangdong's Shijiusuo harbor, and expand the Qinhuangdao harbor, Qingdao harbor, and Lianyungang harbor, and add 21 berths, enabling the ports to handle an extra 60 million more tons of shipping per year. Loans from the Japanese government financed the new Gunzhou-Shijiusuo railroad, and repaired the Beijing-Qinhuangdao, Hengyang-Guangzhou, and Zhengzhou-Baoji tracks, totaling 1,880 kilometers. These three lines have resumed service and are electrified. Transport capacity has been increased by more than 100 million tons. At the same time, the Kuwaiti loans funded the new Xiamen International Airport, and brought new prospects to Fujian province's opening up to the outside world, as well as laid the foundation for developing the Xiamen SEZ. In addition, to solve the problem of lack of means of transportation, loans from the Kuwaiti and Italian governments are funding projects in Tianjin and Nanjing to build 20,000 small cars and 60,000 lightweight trucks a year. In the area of communications, Tianjin, Guangzhou, Shanghai, Dalian, Shenyang, Fushun, Benqi and other cities have installed program controlled telephone exchange and long-distance telephones, using loans from the Japanese, Belgian, Swedish and other governments.

Loans from the Italian government made possible the installation of the digital microwave circuit in Huihe as well as the Sirius satellite ground station.

Foreign government loans have facilitated the development of China's raw and processed materials industries. The Kuwaiti loan funded the construction of Anhui's Ningguo Cement Plant, and composite loans from the Australian government were used to build Fujian's Shunchang Cement Plant and other facilities to increase cement production capacity by more than 2 million tons a year. New steel plants are capable of increasing production by 3 million tons a year, and new projects to process wood products can produce an extra 130,000 cubic meters of particle boards and 3.6 million square meters of veneer each year.

Foreign government loans are used to develop the agricultural, animal husbandry, and fishery industries, and increase the production of other commodities which are in short supply. For example, loans from Italy, Denmark, and other governments funded the model farms in Jilin to improve the breed of rice, sugar beet, and other crops, and established an experimentation center in Hubei for breeding pigs. To increase the food supply by processing more agricultural and animal products, two breweries, five sugar refineries, more than 10 dairy product processing plants, and several meat processing, and fat rendering plants have been built with loans from the Belgian, Danish, and Swedish governments. These enterprises are getting good economic returns. For example, Jilin's New China Sugar Refinery had never been a profitable unit, but in 1982, using a \$3.7 million no-interest loan from the Danish government, it underwent transformation which lasted from April 1982 until October 1983. Funds were borrowed that year and put to use immediately, and results were obtained in the same year. In 1981, before the transformation, the plant lost more than 20 million yuan. In 1983, after the transformation, it made over 3.5 million yuan in profits, and in 1984, its profit increased to almost 5 million yuan. That plant brought in advanced equipment which reduced coal and raw material consumption, improved quality, increased output, cut down on environmental pollution, and made production less labor-intensive.

Foreign government loans have facilitated our cultural, educational, public health, scientific and technological developments. For example, a grant from the Italian government built the Ningxia College of Engineering, and expanded the Jiamusi College of Engineering, and established the Beijing Numerical Control Machine Tool Training Center, a trauma center in Beijing and in Chongqing, the Tianjin Radiotherapy Center, and the Shanxi Gerontology Research Center. Loans from the Belgian government helped set up the Yangsen Pharmaceutical Center.

Foreign government loans helped us establish many export projects which earn foreign exchange, and \$400 million in loans and grants were used to develop the

"old, young, remote, and impoverished" regions. These have very positive effects on developing our foreign trade relations and increasing our exports while helping the impoverished regions to prosper.

In retrospect, as well as looking ahead, we are very optimistic.

First, China is maintaining a general policy of opening up to the outside world, of reform, and enlivening the economy, and is turning more and more to foreign governments for loans. Some countries, including Italy, Denmark, Austria, and Holland, are offering us loans with increasingly better terms. Recently, at a reception for our foreign guests, our country's leader said that we can use as much foreign government loans as we can get, and if the foreign governments are willing to extend concessionary loans, we are eager to oblige. Therefore, we can say with confidence that the use of foreign government loans will increase in the future.

Secondly, the present conditions indicate that our foreign debt situation is good. Specifically: (1) We are given favorable loan terms. Between 1979 and the end of October 1987, we have contracted to borrow a total of \$33.25 billion, 42 percent of which are foreign government loans or loans from international financial organizations. (2) Our debt structure is reasonable. This is very important. We should realize that even if our foreign debt volume may be reasonable, if the loans are not structured properly, the distribution of the terms of redemption can still cause interest and principal payments to fluctuate from year to year or cause continuous peak redemptions which will affect our solvency. At present, the terms of our foreign loans are well distributed; 68 percent of them are intermediate- to long-term loans. (3) The long term foreign loans are directed to good use. Basically all loans are used on importing essential projects. The emphasis is on energy, transportation, and other infrastructure (these take up about 60 percent of the funds,) as well as on projects with good economic benefits or guaranteed to generate foreign exchange. (4) We have sufficient foreign exchange to meet the principal and interest payments. Between 1979 and 1986, our debt service rate remained under 10 percent. According to experts, if we borrow as much money as the state needs under the seventh 5-Year Plan, before the year 2000, the debt service rate in the peak year will be 14.6 percent. It is generally agreed that, theoretically, a debt service rate of 25 percent or less is safe. Our foreign debt situation is good in terms of benefits, safety, and manageability, and we are in no danger of a Latin American-style debt crisis. Based on present conditions, we should obtain more foreign loans, especially long-term, low-interest concessionary government loans.

Lastly, over the years, we have accumulated some experience on the use of foreign government loans. We can manage the loans, and absorb and use the funds better. To improve our ability to obtain more official foreign

loans and manage them better, in July 1986, we established within the Ministry of Foreign Economic Relations and Trade a foreign loan management bureau (by transferring some of the duties from the foreign investment management bureau) to take charge of the management of foreign government loans. To get more economic benefits out of these loans and manage the loans better, the regular payments and the redemptions, and protect our country's reputation, the government in August 1987 approved the setting up of the Chinese Foreign Economic Relations and Trade Trust Investment Corporation responsible for foreign government loan transfers and payments of principal and interest. The government has also drafted the "Interim Regulations On Foreign Government Loan Management" to manage the official foreign loans comprehensively and institutionalize the process. These regulations will be made public and implemented upon examination and approval by the relevant departments. All links which use foreign government loans will be managed more efficiently in the future. Therefore, we have confidence that we can, and we are determined to, increase the use, and improve the utility, of the concessionary foreign government loans.

In conclusion, there are advantages to our using official foreign loans. We have certain flexibilities in borrowing foreign funds. More foreign government loans can accelerate our four modernizations, and we can accomplish much with those loans.

12986

TRANSPORTATION

16 Major Construction Projects in Transportation Sector

40060261b Beijing ZHONGGUO JIAOTONG BAO in Chinese 12 Mar 88 p 1

[By Jian Ming [0494 7686]]

[Text] Recently the State Planning Commission decided on the first group of 203 major construction projects to be started or continued in China this year. The decision was based on the principle that all projects should proceed according to a rational construction cycle. Of the 203 projects, 16 are key transportation projects.

The 16 key transportation projects include 12 harbors, 2 inland waterways, and 2 highways. The harbor projects are: Dalian harbor (Heshangdao coal and hazardous goods wharves and first phase of Dayaowan container and bulk and sundry goods wharves); Yingkou harbor (Bayuquan bulk and sundry goods wharf); Qinhuangdao harbor (third phase of coal wharf and Bingding bulk and sundry goods wharf); Tianjin harbor (Dongtudi bulk and sundry goods wharf); Yantai harbor (first phase of Xigangchi bulk and sundry goods wharf); Qingdao harbor (second phase of Huangdao tanker terminal and first

phase of Qianwan bulk and sundry goods wharf); Lianyungang harbor (second phase of Miaoling container and bulk and sundry goods wharves and Santudi sundry goods wharf); Shanghai harbor (Zhujiamen coal wharf, Baoshan loading and unloading area sundry goods wharf, Guangang work area sundry goods wharf, and Laobaidu Zhangjiabang coal wharf); Nanjing harbor (second phase of Xinshengxu container and bulk and sundry goods wharves); Ningbo harbor (No 3 and No 4 bulk and sundry goods wharves in Zhenhai section); Zhanjiang harbor (reconstruction of old wharf); and Huangpu harbor (first phase of Xinsha section bulk and sundry goods wharf). The inland waterway projects are: continuation of the Beijing-Hangzhou canal project (section between Xuzhou and Yangzhou) and dredging of the Xijiang river channel. The highway projects are: the Beijing-Tianjin-Tanggu expressway and the first-class highway between Shenyang and Dalian in Liaoning.

12802

Construction To Begin on 41 Coastal Berths During 1988

40060261a Beijing ZHONGGUO JIAOTONG BAO in Chinese 24 Feb 88 p 1

[By Jian Ming [0494 7686]]

[Text] At the capital construction work conference of the Ministry of Communications held recently, the first in 1988, it was decided that 41 new berths will be built in coastal ports this year, including 14 deepwater berths and 27 small and medium-sized berths which will increase the cargo-handling capacity of the ports by 14.39 million tons.

The 41 berths to be built this year include: 3 berths at the Heshangdao wharf, Dalian harbor; 2 berths at the Bingding wharf, Qinhuangdao harbor; 2 berths at the Zhujiamen coal wharf and 4 berths at the Baoshan work area sundry goods wharf, Shanghai harbor; 2 berths at the Zhenhai sundry goods wharf, Ningbo harbor; 2 berths at the sundry goods wharf, Nantong harbor; 2 berths at the grain and sundry goods wharf, Shantou harbor; 1 berth in the Dadong section and 1 berth in the Langtong section, Dandong harbor, Liaoning; 1 berth at the coal wharf, Longkou harbor, Shandong; 1 berth in Muping harbor, Shandong; 2 berths in Yangzi harbor, Shandong; 1 berth in Xiangshui harbor, Jiangsu; 1 berth in Daishan harbor, Zhejiang; 2 berths at the passengers wharf, Xiamen harbor, Fujian; 1 berth at the Chongwu wharf, Huian, Fujian; 1 berth at the Shijing wharf, Nanan, Fujian; 1 berth at the Huangqi wharf, Lianjiang, Fujian; 1 berth in Weizhoudao harbor, Guangxi; 2 berths in Aotou harbor, Huiyang, Guangdong; 2 berths in Lianhuashan harbor, Fanyu, Guangdong; 2 berths in Shuidong harbor, Maoming, Guangdong; 2 berths in Nanao harbor, Guangdong; and 2 berths in Qinglan Harbor, Hainan.

At the meeting, the Ministry of Communications, together with various related construction units and provincial and autonomous regional communications departments or bureaus, carefully laid out a timetable for the completion and acceptance of the 41 new berths. The ministry called on all the related construction and designing units to give top priority to the berths, work in close cooperation and coordination, strengthen management and direction, meet the work targets set for each month and quarter by the timetable laid out at the meeting, make every effort to insure work quality and speed, complete and put the berths into operation on or ahead of schedule, and lay a good foundation for the all-round fulfilment of the harbor construction tasks set by the Seventh 5-Year Plan.

12802

New Rail Line in Northwest

40060261d Beijing ZHONGGUO JIAOTONG BAO in Chinese 5 Mar 88 p 2

[Text] Recently the state decided to begin construction within the year of the Baoji-Zhongwei Railway which will run across Shaanxi, Gansu, and Ningxia.

The Baoji-Zhongwei Railway starts in the east from the Guozhen station on the Longhai Railway, runs through Qianyang and Longxian in Shaanxi, Ankou in Huating County and Pingliang City in Gansu, and Guyuan and Tongxin counties in Ningxia, and crosses the Huanghe at Yujiatan in Zhongwei County to connect with the Baotou-Lanzhou Railway at the Zhenluobao station. It is nearly 500 km in length.

12802

1987 Road Construction

40060261c Chengdu JINGJI XIAOXI in Chinese 9 Feb 88 p 1

[By Ge Jie [2047 2638]]

[Text] It is reported that China built more than 20,000 km of new highways in 1987, bringing the total length of the country's highways to more than 980,000 km. The more than 500 km of first-class highways and more than 4,000 km of second-class highways built or rebuilt in 1987 were equivalent to 70 percent and 17 percent respectively of all the first-class and second-class highways built in the period from the founding of the PRC to the end of 1986. The total length of the first-class and second-class highways built or rebuilt in 1987 overfulfilled the year's plan by 50 percent. In 1987, 4,056 new highway bridges with a total length of 140,000 meters were built, also overfulfilling the year's plan.

12802

AGRICULTURE

Study on Transferring Surplus Agricultural Labor
40060238 Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY] in
Chinese No 1, 23 Jan 88 pp 24-27

[Article by Chen Jiyuan [7115 0679 0337] of the Chinese Academy of Social Sciences, Rural Development Research Institute: "A Study on Transferring China's Surplus Agricultural Labor"]

[Text] Transferring agricultural labor to the non-agricultural sector and to the cities is a pattern common to all countries in their economic development; it is the only way to modernize the national economy. China is no exception. But China's distinctive national situation has determined a unique course for transferring surplus agricultural labor, and a study of the features involved is the subject of this paper.

A. The Special Difficulty and Urgency of Transferring China's Surplus Agricultural Labor

China's population, the size of its labor force, the amount of land under cultivation, and the industrial structure and geographic distribution of its labor force are quite different from other countries, and it is precisely these aspects that make transferring China's surplus agricultural labor exceptionally difficult and urgent.

1. The Contradiction Between a Large Population and Little Cultivated Land Is Especially Prominent. Cultivated land per capita in China amounts to 1.4 mu, or 33 percent of the world average, 17 percent of that of the developed countries, and only 45 percent of that of the developing countries. The amount of land under cultivation has increased this year in both the developed and developing countries, while the amount of cultivated land in China still continues to decline sharply year after year. The amount of cultivated land decreased from 1,677 million mu to 1,452 million mu between 1959 and 1985, a drop of 225 million mu, or an annual reduction nearly equal to all the cultivated land in Qinghai Province (8,476,000 mu). At the same time, the rapid natural increase in the agricultural population has been accompanied by an even more rapid increase in the population of suitable age for the agricultural labor force. This has resulted in a significant reduction in the amount of cultivated land per unit of agricultural labor, from 8.7 mu to 3.9 mu, which has turned a large amount of the agricultural labor force into surplus labor.

2. China Has Both Rural and Urban Surplus Labor. This is contrary to the situation in many countries where, in their economic development, they either are or were confronted with a labor surplus in the rural areas and an insufficient labor force in the cities. Provided these countries completely converted the surplus agricultural labor, "cleaned" the surplus agricultural labor

"bathtub," they were able to achieve the goal of economic modernization. But in China, we must complete the transfer of the surplus agricultural labor force as well as provide employment for the surplus urban labor force; that is, we must "clean" two "bathtubs"—rural and urban surplus labor—before we can complete the transformation of a traditional economy into a modern economy. This year at the same time as transferring large numbers of rural surplus labor elsewhere, we also greatly increased the employment rate for urban surplus labor. Although new employment in the urban areas reached 38,868,000 between 1978 and 1985, by the end of 1985 China still had an urban surplus labor force numbering 2,384,000 that was unemployed.

3. The Structure of the Labor Force Is Grossly Irrational.

First, China's rural population accounts for 38 percent of the total population, which is much higher than in other countries. Second, China's agricultural labor force accounts for 72 percent of the total labor force, which is higher than some economically backward countries (India, 69 percent; Thailand, 68 percent; Burma, 66 percent). Third, 77 percent of China's rural labor force is engaged in agriculture, and 96 percent of the agricultural labor force is involved in crop growing. Finally, the educational level of China's rural labor force is woefully inadequate; only 5.20 percent have a senior high school education or above, 21.12 percent have only a junior high school education. 73.68 percent have only an elementary school education, are illiterate or semi-literate. The irrational structure of the labor force as outlined above clearly shows there is an urgent need to transfer China's large agricultural labor surpluses to other areas, but a serious limitation is the low quality of the labor force.

4. The Regional Distribution of the Population and Labor Force Is Uneven. Not only are there gross imbalances in population and labor force distribution among the eastern, central, and western economic sections of the country, the distribution of the population and labor force is uneven within a single district, province, county, or prefecture as well. The average population density of China is 109; Shanghai, 1,967; Tianjin, 715; Jiangsu, 686; Beijing, 571; and Shandong, 583. On the other hand, the population density of Tibet, Qinghai and Xinjiang is 2, 6, and 90, respectively. Population and labor force distribution within the same economic district is uneven as well. Furthermore, the population density of some of the eastern provinces is lower than that of some of the central provinces (for example, Fujian, 224, versus Henan, 462), while the population density of some of the central provinces is lower than that of some of the western provinces (for example, Heilongjiang, 71, versus Shaanxi, 146). This uneven distribution makes the labor force relocation exceptionally complicated in terms of direction and geographical deployment.

B. Determining the Appropriate Scope and Rate of Transferring Agricultural Labor Based On Actual Conditions in China

Since the PRC was founded, China has experienced both a short-term blind stampede in transferring its surplus agricultural labor, and a protracted situation where large

numbers of such surplus labor have been confined to the rural areas and not allowed to move elsewhere. At the same time, the country has turned a blind eye to the large surplus agricultural labor force; insufficient attention has been given to agricultural labor, and the peasants have not been permitted to engage in non-agricultural production activities. Consequently, over a number of years now the combined effect of such factors as an increasing agricultural labor force, a reduction in cultivated acreage, general agricultural mechanization, and a continual increase in the amount of electricity, chemical fertilizer and pesticides employed per mu of cultivated land has been a large surplus of agricultural labor. It is generally estimated the surplus exceeds one-third the total agricultural labor force, and in some areas is greater than 48 percent, which has seriously affected improvements in agricultural labor productivity and the process of agricultural modernization.

As a result, it is immensely important that we summarize our historical experiences, proceed from China's actual conditions, employ scientific methods, and determine an appropriate scope and rate of transferring surplus agricultural labor. To this end, we need to be clear about the following points:

1. What we are studying is the transfer of agricultural surplus labor rather than rural surplus labor, and this agricultural surplus labor principally refers to agriculture in the narrow sense; that is, the surplus labor in grain growing.
2. The objective basis of transferring agricultural labor to other areas is to raise agricultural labor productivity. This requires studying all factors which restrict an increase in labor productivity, including worker motivation, initiative, degree of agricultural mechanization, amount of chemical fertilizers and pesticides employed, use of agricultural science and technology which incorporates biological techniques, etc.
3. Proper estimates require an understanding of subjective motivations of the surplus agricultural labor force to relocate. The motivations to move elsewhere essentially lie in the difference in relative return from agriculture compared to non-agricultural work, and in the peasants' going to the urban areas to pursue and create better opportunities and conditions for themselves.
4. In determining the scope and rate of transferring agricultural labor, we must look within agriculture and study the necessity and possibility of transferring elsewhere predicated on guaranteeing a rise in agricultural labor productivity and sustained agricultural development. We must study as well the possibility of other areas and other sectors of the national economy assimilating surplus agricultural labor. Overlooking any aspect will result in an incorrect determination of the scope and rate of transferring surplus agricultural labor.

5. We must search for a scientific method of determining the size of the surplus agricultural labor force. Present estimates of the amount of land under cultivation are far from consistent, ranging from a low of 1.45 billion mu to a high of 2.2 billion mu. There are also wide discrepancies in estimates of the amount of cultivated land per agricultural worker, from a low of 6 mu to a high of 12 mu, or about a one-fold difference. At the same time, estimates of surplus agricultural labor are highly inaccurate as well. In addition, we still have not come up with a good, generally accepted scientific computing method. There is a practical, pressing need to continue our search for a method of calculating the surplus agricultural labor force.

C. The Multi-Leveled and Diverse Nature of Industrial Distribution in Transferring Surplus Agricultural Labor

In terms of industrial distribution, surplus agricultural labor will be transferred to other areas, and generally will involve the following levels:

First, before surplus agricultural labor is transferred to the non-agricultural sector, it is necessary to fully utilize existing labor within the agricultural sector, and diversify agricultural operations. This is an important way to employ surplus labor within the agricultural sector locally.

Second, work on the rural infrastructure, including irrigation projects, soil and water conservation, rural road maintenance, and construction and expansion of drinking water projects. These are important prerequisites of rural development and are a partial solution to the surplus agricultural labor employment problem.

Third, transfer surplus agricultural labor to the non-agricultural sector. The type of industrial mix to be selected in transferring the surplus agricultural labor to the non-agricultural sector is determined by factors such as the natural resource situation, radiating effect of the urban economy, commodity economy tradition, and educational and technical quality of the labor force, as well as such socio-economic factors as the geographic location of overseas contacts and blood relationships. Naturally there will be many differences in economic and social conditions between different areas, which directly determine the diverse industrial distribution in the surplus agricultural labor transfer process.

The technical mix of the surplus agricultural labor force selected must be equally multi-leveled and diverse in nature. An analysis of the present technical mix of rural enterprises shows them to be labor intensive and technology compatible. In addition, some of the rural enterprises of the developed regions employ relatively advanced technology and equipment, while some of them are most effective in producing high technology products.

Selecting the labor-intensive and technology compatible types as the technical mix for transferring surplus agricultural labor often comes under criticism, namely that developing rural enterprises has resulted in a drop in the

technical level of the national economy and in social labor productivity. If we simply compare the technical level of large state-run enterprises and that of rural enterprises we could reach this conclusion. However, if we consider that establishing rural enterprises to effect the transfer of surplus agricultural labor to non-agricultural industry has resolved chronic unemployment in the rural areas, and that the output value and labor productivity of agricultural labor employed in rural enterprises is much greater than agricultural productivity, we should arrive at a different conclusion; specifically, that transferring surplus agricultural labor to labor-intensive and technology compatible rural enterprises contributes to economic growth and helps to solve the employment problem, which is related to social equality, and these really are two significant matters which we must work hard to resolve in developing the rural areas.

D. Appropriately Combine Local Transfers with Transfers to Other Areas, Strive To Industrialize the Rural Areas and Urbanize the Villages in Synchrony

Briefly put, there are two principal views to date regarding the question of regional distribution in transferring surplus agricultural labor. One is to work in the same location, to leave the land but not the village, and to enter the factory but not the city. The second view is to transfer to another location, and to leave both the land and the village. But there also are differing views on whether to enter and continue to develop the large cities, or principally to enter the small and mid-sized cities and towns.

In recent years, most have favored transferring jobs while staying at the same location, and in some areas this is the only principle guiding the regional transfer of surplus agricultural labor. It should be stated that, pursuant to China's national conditions, in a certain sense it is true that this has been an important principle guiding the regional transfer of surplus agricultural labor over a relatively long period of time. However, this principle should not be regarded as an absolute. Leaving the land but not the village, local transfer, is not and should not be the only guiding program for regional transfer of surplus agricultural labor.

Transferring to a different location, leaving both the land and the village, and entering both the factory and the city is an objective necessity and inevitable trend in socio-economic development. The economic benefits of the city, and the living standard (both materially and spiritually), generally is higher than in the rural areas. Moreover, the advantage of having industry relatively concentrated in the cities and towns is that not only does it economize on cultivated land (solving China's problem of daily-diminishing cultivated land requires immediate attention), it also reduces and makes easier to control the increasingly serious environmental pollution spread from industrial sites.

As for transferring to other locations, we must study further whether it should be primarily in the direction of the large cities, or principally toward the small and mid-sized cities and towns. In the modernization process both now and in the future, it is unavoidable that some of the surplus agricultural labor will enter the large cities. But the cities themselves still have inadequate financial investment in basic infrastructure and public services, and for guaranteeing a given income the large cities are not, and should not be, the primary direction of regional transfer of surplus agricultural labor.

It looks as if in the given historical stage a transfer of surplus agricultural labor primarily toward small and mid-sized cities and towns accords with China's present national conditions, and is relatively feasible. This could prevent further development of "urban ills" and avert various corrupt practices which accompany local transfers. At the same time, we should appropriately combine local transfers with transfers to other areas. In the case of transfers to other areas, we could allow some of the agricultural labor to move into given large cities as required.

In China's agricultural modernization process a noteworthy situation has appeared, and that is that rural industrialization has taken off while urbanization has lagged behind. This is manifested specifically in the rapid rise in the value of industrial output in the rural areas as a proportion of gross national output value, while the transfer of agricultural population to the cities has been relatively slow. For example, in 1985 the Zhejiang Province industrial output value accounted for 67.7 percent of the total social output value, while the population of the cities and towns made up only about 25 percent of the total population. Since China's rural population is approximately 89 percent of the total population, and as a result of the aforementioned characteristics of the regional transfer of surplus agricultural labor, industrialization proceeding ahead of urbanization may in some sense characterize China's agricultural modernization. But the gap between the advance of rural industrialization and the lagging of urbanization must not become excessively wide. The process of rural industrialization and urbanization is identical for the most part; this is a general law of socio-economic development, and we should work hard to see that the two develop at the same pace as much as possible.

E. Concurrent Employment Is an Important Form of Transferring Surplus Agricultural Labor

There are two major mechanisms for transferring surplus agricultural labor: one is entering a different line of work, switching from one to another through a division of labor, a one-time complete transfer from agriculture to non-agricultural industries; the second is concurrent employment, engaging in agriculture and another line of work at the same time, and gradually completing the transfer from agriculture to non-agricultural industries.

There are profound socio-economic reasons for the evolution of the concurrent employment mechanism which, briefly stated, encompass the following points: First, there are relatively large fluctuations in income from engaging in agriculture alone because of factors over which we exercise no control, such as natural conditions; while concurrent employment can guarantee the peasant household a relatively stable income. Second, the peasant has a nostalgic feeling for the land, and this is even more pronounced in China. Third, agricultural production is seasonal in nature. Fourth, most of the peasant households in China today still are extended families with 2 or 3 generations living together. Since quite a few of the family members are of working age, it is not necessary for all of them to engage in agriculture, nor is it possible for all of them to transfer out of agriculture.

A major differing view at present on the concurrent employment mechanism is that since a peasant working two jobs cannot concentrate his energy on a single line of work, he will be unable to increase his technical qualifications and specialized knowledge, and therefore will not adapt to the requirements of modern industry, agriculture, and other lines of work. At the same time, because concurrent employment exists, it affects concentration of landholdings and impedes the formation of economy of scale. These things undoubtedly are problems inherent in the concurrent employment mechanism, and require conscientious and effective solution. But the problem with concurrent employment as a major form of transferring surplus agricultural labor is that it was not determined by the subjective desire of the people. As mentioned above, its emergence has deep socio-economic roots. From now on, the specific type or pattern of peasant concurrent employment must change along with changes in socio-economic conditions. Some of the concurrent employment may disappear, some may subside, some may stabilize, and some may become more prominent. But regardless of the modification, a change is unlikely in the overall trend of agricultural surplus labor gradually moving from a semi-transfer to a complete transfer through concurrent employment.

At this point we must look in greater depth at the meaning the concurrent employment mechanism. In terms of the industrial structure of concurrent employment, one meaning is to engage in the crop-growing industry while concurrently working in the forestry,

animal husbandry, fishery, and sideline industries; the second meaning is to engage in agriculture while concurrently working in other, non-agricultural, industries. Perhaps it could be understood this way: the former is a matter of fully utilizing agricultural labor within agriculture itself, while the latter falls within the scope of concurrent employment which transfers surplus agricultural labor. Another matter which requires study is the degree of concurrent employment; specifically, only households in which concurrent employment accounts for most of the work time or income should be called concurrent employment households, otherwise they should not. All households which incorporate concurrent employment, regardless of the degree, can be viewed as concurrent employment households, and can be said to be transferring surplus agricultural labor elsewhere. The above makes it clear that it is essential to study and determine the scope and rate of transferring surplus agricultural labor.

F. How To Enhance Macro-Level Guidance in Transferring Surplus Agricultural Labor

We must enhance macro-level guidance in transferring surplus agricultural labor; this is required for developing a socialist planned commodity economy. As for the content of macro-level guidance, we must proceed from actual conditions, counter the problems which have already arisen in the process of transferring surplus agricultural labor or the problems which present developments indicate may occur in the future, formulate essential policy, and employ effective measures. Problems to be solved include: 1) how to ensure sustained and steady agricultural development during the process of transferring surplus agricultural labor; 2) how to promote concentration of landholdings, increase return through economy of scale, and gradually realize the goal of modernizing agriculture, which includes agricultural mechanization; 3) how to raise the quality of existing agricultural workers to make them more employable, which includes increasing their educational, scientific and technical level, and how to actively create conditions favorable for transferring agricultural labor; 4) how to guide on the macro-level a rational regional distribution of surplus agricultural labor; and 5) how to appropriately restructure the politico-economic system to ensure a sound transfer of surplus agricultural labor.

**Financial Management of Private Schools
Tightened**

40050197a Beijing GUANGMING RIBAO in Chinese
19 Feb 88 p 1

[Text] The State Education Commission and the Ministry of Finance jointly issued the "Provisional Regulations on Financial Management of Private Schools" recently. Vice Chairman Zou Shiyan [6760 2514 3508] of the State Education Commission said that the "regulations" were targeted at the chaos in the financial management of private schools and were drawn up after an extensive study. The "regulations" emphasize that private schools must spend the money collected from students on the students themselves. The misappropriation, diversion, and private distribution of school fees and miscellaneous charges under all sorts of pretexts must be strictly prohibited. Units run by schools should not take a cut of the schools' incomes. The school should put a top leader in charge of financial management and tighten up the examination and approval of expenditures.

The "regulations" point out that the funds of a private school should be raised by the school itself. The level of school tuition must meet the standards set by the pertinent local authority. Schools are allowed to charge tuition and miscellaneous charges and accept donations from sectors, units, and individuals concerned. The collection of excessive fees and compulsory donations are strictly prohibited. Any education fund that accepts donations from institutions or individuals in Hong Kong, Macao, or overseas shall go through the financial transfer procedures properly and use the money in accordance with relevant state regulations. The school should set up an appropriate financial body or appoint full-time financial and accounting personnel, depending on the scale of the school. Essential rules and regulations should be drawn up as one of the basic conditions for setting up a school. These rules and regulations should be submitted, along with the application for permission to operate a school, to the education administrative agency above for its examination and approval. Standards for school expenses, such as the wages, bonus, and welfare funds of different kinds of school personnel, should be set up by the local education authority in conjunction with the departments concerned by consulting the wage scales of similar personnel in state-run schools at the same level. The editing, compilation, publishing, and distribution of teaching and guidance materials by a school should also be handled in accordance with state regulations. The "regulations" also lay down rules governing the cancellation of a school's registration when it closes down and the disposal of its assets and liabilities.

**Qinghua University Institutes New Job
Assignment System**

40050197b Beijing GUANGMING RIBAO in Chinese
20 Feb 88 p 1

[Article by Tang Xun [0781 2484]]

[Excerpts] Specifically, a year before they graduate, the university sends out letters to various key provincial and municipal enterprises and institutions, taking the initiative to introduce to them the situation of their graduates. The university also takes advantage of the opportunity to strengthen horizontal associations and scientific and technical cooperation with society and tries to obtain an extensive understanding of society's demand for graduates. Information thus gathered is then sorted out and disseminated to the students one semester before graduation (ie., before the winter break). Guided by job assignment principles and in light of demand information, the students declare their employment choices. Based on the students' declared choices, the university then launches a number of recruitment programs in a variety of forms.

One takes the form of face-to-face selection by the supply and demand sides. The university invites a selected number of key enterprises and institutions as well as units attracting a relatively large number of student applications to recruit on campus and organize supply-demand meetings. The hiring agency sets up a "booth" to publicize itself and enthusiastically briefs students on its production tasks, personnel requirements, and development prospects, even providing such information as wages and housing. Students, for their part, select a hiring unit based on their specialties and choices. The unit also can have the students tested and hire the best. When both sides, supply and demand, are satisfied, an agreement will be signed. Every year during the past few years, the university invites over 140 units to recruit on campus.

In another form, choices are made in writing based on written recommendations. The university briefs the hiring units about the graduates' academic results for each year attended, their political and ideological performance, and their physical condition. About 30 percent of students assigned jobs are selected in this manner.

The university actively creates favorable conditions for students who are willing to return to and work in their hometown. During the winter vacation, they are encouraged to take the university's letters of recommendation to approach and talk to hiring units. Then there are graduates in specialties where an industry is not yet in place to provide more job choices. In accordance with assignment principles, the university encourages these students to get in touch with the units. With the university's permission, they may be included in the assignment plan.

To encourage students from the interior to support construction in remote provinces and regions, and with the State Council's permission, they may report their family's address as their permanent registered address. After probation, they will remain to serve the locality for 5 years, at the end of which they will move freely.

For academic, physical, ideological, and other reasons, a small number of students find no receptive units. These students will not be assigned jobs. Instead their registered domicile will be changed to where their families live and they are left to look for jobs on their job.

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Yang Deguang Advocates More Autonomy for Schools

40050197c Beijing GUANGMING RIBAO in Chinese
29 Feb 88 p 2

[Report by Zhang Yifu [1728 6318 1788]: "Government Management Inimical To Higher Education"]

[Excerpts] In a recent conversation with reporters, Director and Research Associate Yang Deguang [2799 1795 1639] of the Shanghai Higher Education Research Institute said that the government must be removed from the management of higher education. In other words, the ownership of higher education must be separated from its management, the former to go to the state, the latter to the institutions. The content of his talk is as follows:

"Government" refers to government departments, "institutions" refers to institutions of higher education. In China, institutions of higher education have historically been directly led by government departments. The offering of fields of study, content of courses, number of students to be recruited, and job assignment plans for graduates, among other things, are all decided or approved by a government department. Government management of a university takes the form of subordination to a government department such as a bureau, ministry, or commission. Government management and supplantation of institutions is the product of the highly centralized planned economic system of the past and made good sense under the circumstances at the time. In higher education, government supplantation of institutions and the fusion between the two have become less and less suited to the needs of reform and opening to the outside world, and their shortcomings increasingly conspicuous.

1. A university is the possession of a central or local department. The qualified personnel it turns out mainly become the department's property. Since they do not need certain specialties, some departments simply do not allow the institutions under them to offer those disciplines and suspend student recruitment. Other departments who need qualified personnel in those fields have no choice but to offer them in universities under them. There is a common social need for qualified

personnel in some specialties. Certain departments do offer the specialties, but only with difficulty since they are not really equipped to do so. The result is low standards and duplication. A department operates a university primarily to serve its own needs. But departments have diversified needs as far as qualified personnel are concerned. Not only is it wasteful under some circumstances for a department to rely solely on its own resources in education, but it also fails to meet the needs of reform and opening to the outside world.

2. The lack of autonomy militates against the development by an institution of its own special characteristics. Over the years, some universities have excelled and developed their own characteristics in a certain field or specialty. Logically speaking, departments should provide conditions under which the institutions can continue to improve. But because the department or locality concerned has no major need for the discipline in question, its development is retarded.

3. Institutions lack pressure, dynamism, and vitality. With the government wholly responsible for its funding, the university is not motivated to reform. Some institutions do not lack human and material resources but have not tapped their potential fully. The teacher/student ratio falls short of 1:5 and equipment and apparatus have been put aside, unused, for years. Teaching efficiency is very low. Excessive control by the government, in particular, "ties" the institution's hands and prevents it from being vitalized. For instance, the institution must secure government approval before it can offer a new field of study. The number of students it is commissioned to train is also set by the government. When it comes to developing lateral associations and setting up industrial undertakings, the university is also subject to government restrictions, making it difficult to diversify funding sources.

4. There is no clear division of responsibilities between the government department and the institution. In reality, many ministry, commission, and bureau leaders have no energy to look after the institutions and do not understand their situation. Sometimes it is only a case of a handful of workers giving orders to the university. Since the orders are subjective and arbitrary to a certain extent, mistakes become unavoidable. On the other hand, those who understand the situation in the school and educational principles—the president, secretary, and faculty—have no decision-making power in many things.

How can these problems be solved? These are Yang Deguang's proposals:

1. The university should become an independent educational entity where ownership is separate from management. With the exception of certain line departments which must operate their own schools, the system of departments running their institutions should be abolished gradually. In some urban centers, the university

should be managed locally, that is, it should be managed by the education department of the local government concerned. But no government department, whatever its level, should interfere in school affairs excessively. Direct management should be replaced by macro management, process management by management by objectives.

2. The old appropriations system should be changed. The key reason why universities lack autonomy and cannot bring an end to their subordination to a government department is that funding is allocated to them and controlled by their respective departments in charge. It is proposed that higher education appropriations committees be set up at the national, provincial, and municipal levels. All departments and localities can search nationwide for a relevant university and submit their personnel development plan to the appropriations committee. They can also make an investment. When it issues a plan to a university, the appropriations committee also allocates funds to it. Functional departments and hiring units may also invest directly in a university and apply for graduates and research achievements. That way, each university serves other departments as well as its own, other places as well as its locality. It "obtains funding from all units" and serves "all units" in return.

3. Government functions should be separated from those of a university. Every university should have 10 kinds of

power: the power to conclude recruitment, training, and technical cooperation agreements with hiring units; the power to offer a field of study based on social needs; the power to examine and hire teachers within the set establishment level and to dismiss incompetent personnel; the power to appoint the vice president and cadres at the office and departmental levels; the power to set up its own board of directors and fund and to accept donations from institutions and private individuals at home and abroad; the power to operate academic programs in cooperation with a relevant department or unit at home and abroad; the power to offer outside services and set up industrial undertakings using its own intellectual, material, and financial resources; the power to accept students commissioned by other departments and self-financed students, whether they are inside or outside the plan, and to offer paid assignment to certain graduates; the power to use the university's revenues to develop education, improve the welfare of faculty and staff, and introduce floating wages; and the power to conduct foreign exchange activities independently. Government departments have four primary responsibilities: to allocate funds to various kinds of schools; set educational goals, select and appoint (or approve the choice for) president; and supervise, guide, and organize educational quality appraisal.

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